

COUNTY OF GILES, VIRGINIA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

COUNTY OF GILES, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2015

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INTRODUCTORY SECTION

COUNTY OF GILES, VIRGINIA

BOARD OF SUPERVISORS

Larry Williams, Vice Chairman	Barbara Hobbs, Chair	Scott Dunn
Richard McCoy		Paul Baker

COUNTY SCHOOL BOARD

Drema K. McMahon, Vice Chairman	J. Lewis Webb, Jr., Chair	Joseph M. Gollehon, Jr.
Ronald B. Whitehead		Eric G. Gentry
	Amanda Tickle, Clerk	

SOCIAL SERVICES BOARD

Claude Wimmer, Vice Chairman	C. Tom Spangler, Jr., Chair	Gina Franklin
Nancy Rader		Barbara Hobbs
Lester Tickle		Donna Collins, Clerk

OTHER OFFICIALS

Clerk of the Circuit Court	Charles Fraley
Commonwealth's Attorney.....	Robert M. Lilly, Jr.
Commissioner of the Revenue.....	Lisa Corell
Treasurer	Gerald W. Duncan
Sheriff	William M. Millirons
Superintendent of Schools	Dr. Terry Arbogast, II
Director of Social Services	Sherri Nipper
County Administrator	Chris McKlarney
County Attorney	Richard Chidester

FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Board of Supervisors
County of Giles, Virginia
Pearisburg, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Giles, Virginia, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Giles, Virginia, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 22 to the financial statements, in 2015, the County 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 budgetary comparison information and schedules related to pension and OPEB funding on pages 75 and 76-81, respectively, 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.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Giles, Virginia's basic financial statements. The introductory section, other supplementary information, and other statistical information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2015, on our consideration of the County of Giles, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of Giles, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Co. Associates

Blacksburg, Virginia
December 30, 2015

Basic Financial Statements

County of Giles, Virginia
Statement of Net Position
June 30, 2015

	Primary Government			Component Unit	Component Unit
	Governmental Activities	Business-type Activities	Total	School Board	IDA
ASSETS					
Cash and cash equivalents	\$ 6,027,830	\$ 26,300	\$ 6,054,130	\$ 3,159,855	\$ 1
Cash in custody of others	-	-	-	315,723	-
Receivables (net of allowance for uncollectibles):					
Taxes receivable	3,660,726	-	3,660,726	-	-
Accounts receivable	94,599	80,746	175,345	-	-
Internal balances	2,019,969	(2,019,969)	-	-	-
Due from primary government	-	-	-	-	2,481
Due from component unit	-	-	-	-	-
Due from other governmental units	986,366	50,000	1,036,366	797,681	-
Inventories (Commodities)	-	-	-	3,934	-
Prepaid items	30,354	-	30,354	496,224	60,851
Restricted assets:					
Cash and cash equivalents (in custody of others)	-	-	-	700	-
Investments	285,457	1,240,595	1,526,052	-	-
Notes receivable	-	-	-	-	681,517
Inventories (Land and buildings held for resale)	-	-	-	-	1,705,481
Capital assets (net of accumulated depreciation):					
Land	530,530	13,000	543,530	473,652	618,634
Buildings and improvements	19,754,166	-	19,754,166	2,880,805	8,004,084
Machinery and equipment	883,929	187,780	1,071,709	1,141,335	-
Infrastructure	-	9,967,735	9,967,735	-	-
Construction in progress	379,510	2,618,082	2,997,592	30,576	-
Total assets	\$ 34,653,436	\$ 12,164,269	\$ 46,817,705	\$ 9,300,485	\$ 11,073,049
DEFERRED OUTFLOWS OF RESOURCES					
Pension contributions subsequent to measurement date	\$ 517,706	\$ 41,396	\$ 559,102	\$ 1,824,878	\$ 7,487
Changes in the proportionate share of net pension liability	-	-	-	547,000	-
Total deferred outflows of resources	\$ 517,706	\$ 41,396	\$ 559,102	\$ 2,371,878	\$ 7,487
LIABILITIES					
Accounts payable	\$ 215,417	\$ 153,580	\$ 368,997	\$ 17,846	\$ -
Retainage payable	47,570	66,590	114,160	-	-
Accrued payroll	-	-	-	2,112,622	-
Accrued interest payable	171,896	71,540	243,436	-	42,491
Due to component unit	2,481	-	2,481	-	-
Long-term liabilities:					
Due within one year	2,302,988	343,972	2,646,960	303,844	198,656
Due in more than one year	25,783,932	8,177,141	33,961,073	20,506,654	6,214,104
Total liabilities	\$ 28,524,284	\$ 8,812,823	\$ 37,337,107	\$ 22,940,966	\$ 6,455,251
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	\$ 3,207,646	\$ -	\$ 3,207,646	\$ -	\$ -
Items related to measurement of net pension liability	1,068,062	85,403	1,153,465	3,086,031	15,446
Total deferred inflows of resources	\$ 4,275,708	\$ 85,403	\$ 4,361,111	\$ 3,086,031	\$ 15,446
NET POSITION					
Net investment in capital assets	\$ 706,121	\$ 5,730,666	\$ 6,436,787	\$ 4,526,368	\$ 2,237,494
Restricted:					
School cafeteria	-	-	-	700	-
Unrestricted	1,665,029	(2,423,227)	(758,198)	(18,881,702)	2,372,345
Total Net Position	\$ 2,371,150	\$ 3,307,439	\$ 5,678,589	\$ (14,354,634)	\$ 4,609,839

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

County of Giles, Virginia
Statement of Activities
For the Year Ended June 30, 2015

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Units	
					Governmental Activities	Business-type Activities	School Board	IDA
PRIMARY GOVERNMENT:								
Governmental activities:								
General government administration	\$ 1,515,689	\$ 57,774	\$ 288,745	\$ -	\$ (1,169,170)	\$ (1,169,170)		
Judicial administration	775,707	4,603	512,430	-	(258,674)	(258,674)		
Public safety	4,492,726	163,598	1,070,884	-	(3,258,244)	(3,258,244)		
Public works	913,182	29,978	9,577	-	(873,627)	(873,627)		
Health and welfare	4,327,725	-	3,158,472	-	(1,169,253)	(1,169,253)		
Education	8,451,877	-	-	-	(8,451,877)	(8,451,877)		
Parks, recreation, and cultural	616,476	402,855	6,945	-	(206,676)	(206,676)		
Community development	1,068,553	51,620	-	-	(1,016,933)	(1,016,933)		
Interest on long-term debt	924,761	-	-	-	(924,761)	(924,761)		
Total governmental activities	\$ 23,086,696	\$ 710,428	\$ 5,047,053	\$ -	\$ (17,329,215)	\$ (17,329,215)		
Business-type activities:								
Water department	\$ 1,648,454	\$ 608,394	\$ -	\$ 50,000	\$ (990,060)	\$ (990,060)		
Total primary government	\$ 24,735,150	\$ 1,318,822	\$ 5,047,053	\$ 50,000	\$ (17,329,215)	\$ (18,319,275)	\$ -	\$ -
COMPONENT UNITS:								
School Board	\$ 25,923,586	\$ 405,912	\$ 17,333,771	\$ -			\$ (8,183,903)	74,906
Industrial Development Authority (IDA)	1,021,060	371,088	-	724,878				
Total component units	\$ 26,944,646	\$ 777,000	\$ 17,333,771	\$ 724,878	\$ -	\$ -	\$ (8,183,903)	\$ 74,906
General revenues:								
General property taxes	\$ 12,826,895	\$ -	\$ 12,826,895	\$ -	\$ -	\$ -	\$ -	\$ -
Other local taxes:								
Local Sales and use taxes	1,498,824	-	1,498,824	-	-	-	-	-
Consumers' utility taxes	240,975	-	240,975	-	-	-	-	-
Consumption taxes	54,168	-	54,168	-	-	-	-	-
Gross receipts tax	14,622	-	14,622	-	-	-	-	-
Motor vehicle licenses	206,798	-	206,798	-	-	-	-	-
Local tax on deeds	54,730	-	54,730	-	-	-	-	-
Hotel and motel room taxes	84,274	-	84,274	-	-	-	-	-
Unrestricted revenues from use of money and property	159,212	-	159,212	-	2,488	161,700	566	11,017
Miscellaneous	38,211	-	38,211	-	-	38,211	130,718	14,325
Contribution from County of Giles, Virginia	-	-	-	-	-	-	8,367,399	513,577
Grants and contributions not restricted to specific programs	-	-	-	-	-	-	-	-
Gain on disposal of inventory	1,823,014	-	-	-	-	1,823,014	-	-
Transfers	-	-	-	-	-	-	-	500
Total general revenues and transfers	(584,592)	-	584,592	-	-	-	-	-
Change in net position	\$ 16,417,131	\$ 587,080	\$ 17,004,211	\$ 8,498,683	\$ 17,004,211	\$ 8,498,683	\$ 539,419	\$ 539,419
Net position - beginning, as restated	\$ (912,084)	\$ (402,980)	\$ (1,315,064)	\$ 314,780	\$ (1,315,064)	\$ 314,780	\$ 614,325	\$ 614,325
Net position - ending	3,283,234	3,710,419	6,993,653	(14,669,414)	6,993,653	(14,669,414)	3,995,514	3,995,514
Net position - ending	\$ 2,371,150	\$ 3,307,439	\$ 5,678,589	\$ (14,354,634)	\$ 5,678,589	\$ (14,354,634)	\$ 4,609,839	\$ 4,609,839

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

County of Giles, Virginia
Balance Sheet
Governmental Funds
June 30, 2015

	<u>General</u>	<u>County Capital Improvements</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 1,785,400	\$ 4,242,430	\$ 6,027,830
Receivables (net of allowance for uncollectibles):			
Taxes receivable	3,660,726	-	3,660,726
Accounts receivable	94,599	-	94,599
Due from other funds	2,019,969	-	2,019,969
Due from other governmental units	986,366	-	986,366
Prepaid items	16,354	14,000	30,354
Restricted assets:			
Investments	-	285,457	285,457
Total assets	<u>\$ 8,563,414</u>	<u>\$ 4,541,887</u>	<u>\$ 13,105,301</u>
LIABILITIES			
Accounts payable	\$ 207,714	\$ 7,703	\$ 215,417
Retainage payable	-	47,570	47,570
Due to component unit	-	2,481	2,481
Total liabilities	<u>\$ 207,714</u>	<u>\$ 57,754</u>	<u>\$ 265,468</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	<u>\$ 3,802,186</u>	<u>\$ -</u>	<u>\$ 3,802,186</u>
FUND BALANCES			
Nonspendable			
Prepaid items	\$ 16,354	\$ 14,000	\$ 30,354
Restricted			
Capital projects fund	-	3,756,203	3,756,203
Committed			
Debt service	-	727,930	727,930
Unassigned	4,537,160	(14,000)	4,523,160
Total fund balances	<u>\$ 4,553,514</u>	<u>\$ 4,484,133</u>	<u>\$ 9,037,647</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 8,563,414</u>	<u>\$ 4,541,887</u>	<u>\$ 13,105,301</u>

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

County of Giles, Virginia
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		\$ 9,037,647
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land	\$ 530,530		
Construction in progress	379,510		
Buildings and improvements	19,754,166		
Machinery and equipment	<u>883,929</u>		21,548,135

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

Unavailable revenue - property taxes	594,540		
Items related to measurement of net pension liability	<u>(1,068,062)</u>		<u>(473,522)</u>

Pension contributions subsequent to the measurement date will be a reduction in the net pension liability in the next fiscal year and, therefore, are not reported in the funds.

517,706

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

General obligation bonds	\$ (4,479,897)		
Lease revenue bonds	(18,888,980)		
Unamortized bond premium	(1,819,386)		
Capital lease	(137,884)		
Landfill accrued closure/postclosure costs	(134,806)		
Net OPEB obligation	(173,303)		
Compensated absences	(548,589)		
Accrued interest payable	(171,896)		
Net pension liability	<u>(1,904,075)</u>		(28,258,816)

Net position of governmental activities

\$ 2,371,150

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

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

	<u>General</u>	<u>County Capital Improvements</u>	<u>Total</u>
REVENUES			
General property taxes	\$ 12,739,163	\$ -	\$ 12,739,163
Other local taxes	2,154,391	-	2,154,391
Permits, privilege fees, and regulatory licenses	93,856	-	93,856
Fines and forfeitures	37,418	-	37,418
Revenue from the use of money and property	148,923	10,289	159,212
Charges for services	579,154	-	579,154
Miscellaneous	38,211	-	38,211
Recovered costs	1,252,684	500	1,253,184
Intergovernmental:			
Commonwealth	5,174,369	-	5,174,369
Federal	1,695,698	-	1,695,698
Total revenues	<u>\$ 23,913,867</u>	<u>\$ 10,789</u>	<u>\$ 23,924,656</u>
EXPENDITURES			
Current:			
General government administration	\$ 1,855,174	\$ 117,881	\$ 1,973,055
Judicial administration	765,051	-	765,051
Public safety	4,974,888	4	4,974,892
Public works	675,960	282,087	958,047
Health and welfare	4,328,086	-	4,328,086
Education	6,612,460	80,000	6,692,460
Parks, recreation, and cultural	662,203	-	662,203
Community development	882,550	82,883	965,433
Nondepartmental	571,052	-	571,052
Debt service:			
Principal retirement	1,362,820	462,427	1,825,247
Interest and other fiscal charges	456,046	591,482	1,047,528
Total expenditures	<u>\$ 23,146,290</u>	<u>\$ 1,616,764</u>	<u>\$ 24,763,054</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 767,577</u>	<u>\$ (1,605,975)</u>	<u>\$ (838,398)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ 102,490	\$ 2,254,167	\$ 2,356,657
Transfers out	(2,838,759)	(102,490)	(2,941,249)
Total other financing sources (uses)	<u>\$ (2,736,269)</u>	<u>\$ 2,151,677</u>	<u>\$ (584,592)</u>
Net change in fund balances	\$ (1,968,692)	\$ 545,702	\$ (1,422,990)
Fund balances - beginning	<u>6,522,206</u>	<u>3,938,431</u>	<u>10,460,637</u>
Fund balances - ending	<u>\$ 4,553,514</u>	<u>\$ 4,484,133</u>	<u>\$ 9,037,647</u>

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

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

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

Net change in fund balances - total governmental funds \$ (1,422,990)

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 depreciation exceeded capital outlays in the current period.

Capital asset additions	\$ 367,407	
Depreciation expense	(2,225,417)	(1,858,010)

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

(Increase) decrease in unavailable revenue-property taxes	\$ 87,732	
Change in deferred inflows related to the measurement of the net pension liability	(1,068,062)	(980,330)

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

Payments of principal:		
General obligation bonds	\$ 1,133,845	
Lease revenue bonds	648,421	
Capital lease	42,981	
(Increase) decrease in landfill closure and postclosure monitoring costs	42,279	1,867,526

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

(Increase) decrease in compensated absences	\$ (543)	
(Increase) decrease in net OPEB obligation	(42,170)	
(Increase) decrease in accrued interest payable	24,422	
Amortization of bond premium	98,345	
Change in net pension liability	1,376,673	
Change in deferred outflows related to pension payments subsequent to the measurement date	24,993	1,481,720

Change in net position of governmental activities	<u>\$ (912,084)</u>
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The accompanying notes to the financial statements are an integral part of this statement.

County of Giles, Virginia
Statement of Net Position
Proprietary Funds
June 30, 2015

	Enterprise Fund Water Department	Component Unit Industrial Development Authority
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 26,300	\$ 1
Accounts receivable (net of allowance for uncollectibles)	80,746	-
Due from primary government	-	2,481
Due from other governmental units	50,000	-
Prepaid expenses	-	60,851
Restricted current assets:		
Investments	1,240,595	-
Total current assets	<u>\$ 1,397,641</u>	<u>\$ 63,333</u>
Noncurrent assets:		
Lease purchase receivable, net of current portion	\$ -	\$ 681,517
Inventories (land and buildings held for resale)	-	1,705,481
Capital assets:		
Land	13,000	618,634
Construction in progress	2,618,082	-
Utility plant in service	14,327,270	-
Buildings and improvements	-	9,493,633
Machinery and equipment	496,786	-
Accumulated depreciation	(4,668,541)	(1,489,549)
Total capital assets	<u>\$ 12,786,597</u>	<u>\$ 8,622,718</u>
Total noncurrent assets	<u>\$ 12,786,597</u>	<u>\$ 11,009,716</u>
Total assets	<u>\$ 14,184,238</u>	<u>\$ 11,073,049</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension contributions subsequent to the measurement date	<u>\$ 41,396</u>	<u>\$ 7,487</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 153,580	\$ -
Retainage payable	66,590	-
Accrued interest payable	71,540	42,491
Due to other funds	2,019,969	-
Compensated absences - current portion	43,760	-
Bonds payable - current portion	300,212	198,656
Total current liabilities	<u>\$ 2,655,651</u>	<u>\$ 241,147</u>
Noncurrent liabilities:		
Net OPEB obligation	\$ 13,991	\$ -
Compensated absences - net of current portion	14,586	-
Net pension liability	152,250	27,536
Bonds payable - net of current portion	7,996,314	6,186,568
Total noncurrent liabilities	<u>\$ 8,177,141</u>	<u>\$ 6,214,104</u>
Total liabilities	<u>\$ 10,832,792</u>	<u>\$ 6,455,251</u>
DEFERRED INFLOWS OF RESOURCES		
Items related to measurement of net pension liability	<u>\$ 85,403</u>	<u>\$ 15,446</u>
NET POSITION		
Net investment in capital assets	\$ 5,730,666	\$ 2,237,494
Unrestricted	(2,423,227)	2,372,345
Total net position	<u>\$ 3,307,439</u>	<u>\$ 4,609,839</u>

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

County of Giles, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2015

	Enterprise Fund Water Department	Component Unit Industrial Development Authority
OPERATING REVENUES		
Charges for services:		
Water revenues	\$ 541,019	\$ -
Rental of property	-	371,088
Penalties	31,222	-
Sale of land held as inventory:		
Gross sales price	-	500
Miscellaneous	21,653	14,325
Total operating revenues	<u>\$ 593,894</u>	<u>\$ 385,913</u>
OPERATING EXPENSES		
Salaries	\$ 385,656	\$ 72,552
Fringes	75,225	14,681
Contracted services	25,544	4,086
Repair and maintenance	60,942	-
Water purchase	219,528	-
Material and supplies	40,163	-
Insurance	9,738	21,087
Miscellaneous	47,811	1,077
Utilities	37,155	25,650
Reserve capacity payment	20,896	-
Depreciation	489,939	250,125
Economic development	-	407,269
Total operating expenses	<u>\$ 1,412,597</u>	<u>\$ 796,527</u>
Operating income (loss)	<u>\$ (818,703)</u>	<u>\$ (410,614)</u>
NONOPERATING REVENUES (EXPENSES)		
Interest income	\$ 2,488	\$ 11,017
Connection fees	14,500	-
Interest expense	(235,857)	(224,533)
Total nonoperating revenues (expenses)	<u>\$ (218,869)</u>	<u>\$ (213,516)</u>
Income before contributions and transfers	<u>\$ (1,037,572)</u>	<u>\$ (624,130)</u>
Capital contributions and construction grants	50,000	724,878
Contribution from primary government	-	513,577
Transfers in	594,638	-
Transfers out	(10,046)	-
Change in net position	<u>\$ (402,980)</u>	<u>\$ 614,325</u>
Net position - beginning, as restated	3,710,419	3,995,514
Net position - ending	<u>\$ 3,307,439</u>	<u>\$ 4,609,839</u>

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

County of Giles, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2015

	Enterprise Fund Water Department	Component Unit Industrial Development Authority
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 554,221	\$ 385,913
Payments to suppliers	456,279	(852,845)
Payments to employees	(476,117)	(92,058)
Net cash provided by (used for) operating activities	<u>\$ 534,383</u>	<u>\$ (558,990)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers to other funds	\$ (10,046)	\$ -
Transfers from other funds	594,638	513,577
Net cash provided by (used for) noncapital financing activities	<u>\$ 584,592</u>	<u>\$ 513,577</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	\$ (1,909,059)	\$ -
Principal payments on bonds	(164,700)	(458,834)
Contributions in aid of construction	-	724,878
Interest payments	(288,327)	(252,130)
Connection fees	14,500	-
Net cash provided by (used for) capital and related financing activities	<u>\$ (2,347,586)</u>	<u>\$ 13,914</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	\$ 2,488	\$ -
Note receivable payments	-	31,500
Net cash provided by (used for) investing activities	<u>\$ 2,488</u>	<u>\$ 31,500</u>
Net increase (decrease) in cash and cash equivalents	\$ (1,226,123)	\$ 1
Cash and cash equivalents - beginning	2,493,018	-
Cash and cash equivalents - ending	<u>\$ 1,266,895</u>	<u>\$ 1</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ (818,703)	\$ (410,614)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation expense	\$ 489,939	\$ 250,125
(Increase) decrease in accounts receivable	(18,273)	-
(Increase) decrease in prepaid expenses	-	(60,851)
(Increase) decrease in deferred outflows of resources	(1,998)	(361)
Increase (decrease) in reconciled overdraft	-	(32,232)
Increase (decrease) in customer deposits	(21,400)	-
Increase (decrease) in accounts payable	(44,015)	(300,593)
Increase (decrease) in net OPEB obligation	(8,374)	-
Increase (decrease) in compensated absences	19,813	-
Increase (decrease) in due to other funds	962,071	-
Increase (decrease) in net pension liability	(110,080)	(19,910)
Increase (decrease) in deferred inflows of resources	85,403	15,446
Total adjustments	<u>\$ 1,353,086</u>	<u>\$ (148,376)</u>
Net cash provided by (used for) operating activities	<u>\$ 534,383</u>	<u>\$ (558,990)</u>

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

County of Giles, Virginia
Statement of Net Position
Fiduciary Funds
June 30, 2015

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 60,261
Total assets	<u>\$ 60,261</u>
LIABILITIES	
Amounts held for Social Services clients	\$ 60,261
Total liabilities	<u>\$ 60,261</u>

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

COUNTY OF GILES, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

Note 1-Summary of Significant Accounting Policies:

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

A. Financial Reporting Entity

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

Blended component units - The County has no blended component units.

Discretely Presented Component Units - The component unit columns in the financial statements include the financial data of the County's discretely presented component units. They are reported in a separate column to emphasize that they are legally separate from the County. The County's Component Units do not prepare separate financial statements.

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

The Giles County Industrial Development Authority encourages and provides financing for industrial development in the County. The Industrial Development Authority board members are appointed by the Board of Supervisors. The Industrial Development Authority is fiscally dependent upon the County. The Industrial Development Authority is presented as an enterprise fund type and does not issue a separate financial report.

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

Jointly Governed Organizations - The County and the Counties of Bland, Carroll, Floyd, Grayson, and Wythe and the City of Radford participate in supporting the New River Valley Regional Jail Authority. The monthly payment made by the County to the Regional Jail is based on the number of prisoners housed for the County. For the year ended June 30, 2015, the County paid \$1,108,358 for the confinement of prisoners.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

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

B. Government-Wide and Fund Financial Statements

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

The statement of net position is designed to display the financial position of the primary government (governmental and business-type activities). Governments report all capital assets, including infrastructure, in the government-wide statement of net position and report depreciation expense - the cost of "using up" capital assets - in the statement of activities. The net position of a government is broken down into three categories: 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

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

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for un-collectible amounts. Property taxes not collected within 60 days after year-end are reflected as unavailable revenues.

Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the County, are recognized as revenues and receivables upon collection by the state or utility, which is generally in the month preceding receipt by the County.

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

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for and reports all financial resources of the general government, except those required to be accounted for in other funds. The general fund includes the activities of the Dare Program, the Asset Forfeiture Fund, the Comprehensive Services Fund, the Social Services Fund, the Restitution Fund, the Rev Max Fund, and the Emergency Replacement Fund.

The *capital projects fund* accounts for and reports all financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds. Capital project funds consist of the County Capital Improvements Fund.

The government reports the following major proprietary funds:

The County operates a water distribution system. The activities of the system are accounted for in the Water Department fund.

Additionally, the government reports the following fund types:

Fiduciary funds (trust and agency funds) account for assets held by the government in a trustee capacity or as agent or custodian for individuals, private organizations, other governmental units, or other funds. Agency funds consist of the Special Welfare fund.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

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

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

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's enterprise fund and the internal service funds are charges to customers for sales and services. The County also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

1. Cash and Cash Equivalents

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

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act").

Investments for the government, if any, as well as for its component units, are reported at fair value.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

3. Property Taxes

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

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

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

4. Allowance for Uncollectible Accounts

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$100,533 at June 30, 2015 and is comprised solely of property taxes. The allowance amounted to approximately \$282,759 for the Water department at June 30, 2015 and is comprised solely of water billings and penalties.

5. Inventories and Prepaid Items

All inventories are valued at cost using first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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.

6. Use of Estimates

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

7. Capital Assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. In the water fund, no interest was capitalized during the current year or prior year.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015Note 1-Summary of Significant Accounting Policies: (Continued)D. Assets, Deferred Outflows/Inflows of Resources, Liabilities, and Net Position/Fund Balance
(Continued)

7. Capital Assets (Continued)

Property, plant, equipment, and infrastructure of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

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

8. Compensated Absences

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

9. Pensions

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

10. Long-Term Obligations

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

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

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

10. Long-Term Obligations (Continued)

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

11. Fund Equity

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

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

The Board of Supervisors is the highest level of decision making authority, and the formal action that is required to establish, modify, or rescind a fund balance commitment is a resolution approved by the Board of Supervisors. The resolution must either be approved or rescinded as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period.

The Board of Supervisors has authorized the County Administrator as the official authorized to assign fund balance to a specific purpose as approved by the fund balance policy.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

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

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

11. Fund Equity (Continued)

The policy also authorizes and directs the Treasurer to prepare financial reports which accurately categorize fund balance as required by GASB Statement No. 54. The County of Giles will maintain an unassigned fund balance in the general fund equal to 3% of the expenditures/operating revenues. The County considers a balance of less than 3% to be a cause for concern, barring unusual of deliberate circumstances.

12. 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 (expenditure/expense) until then. The County only has one item that qualifies for reporting in this category. It is comprised of certain items related to the measurement of the net pension liability. These include differences between expected and actual experience, change in assumptions, the net difference between projected and actual earnings on pension plan investments and is comprised of contributions to the pension plan made during the current year and subsequent to the net pension liability measurement date, which will be recognized as a reduction of the net pension liability next fiscal year. For more detailed information on these items, reference the pension note.

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

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

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

13. 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.

14. Net Position Flow Assumption

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 2-Stewardship, Compliance, and Accountability:

A. Budgetary Information

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

1. Prior to March 30, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the function level. Only the Board of Supervisors can revise the appropriation for each department or category. The County Administrator is authorized to transfer budgeted amounts within general government departments; however, the School Board is authorized to transfer budgeted amounts within the school system's categories.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds (except the School Fund), and the General Capital Projects Funds. The School Fund is integrated only at the level of legal adoption.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all County units. The County's practice is to appropriate Capital Projects by Project. Several supplemental appropriations were necessary during this fiscal year.
8. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to commit that portion of the applicable appropriations, is not part of the County's accounting system.

B. Excess of Expenditures Over Appropriations

For the fiscal year ended June 30, 2015, the following departments of the County had expenditures in excess of appropriations: County Administrator, Commissioner of Revenue, Circuit Court, Special Magistrates, Law Library, Commonwealth's Attorney, and Social Services Administration.

C. Deficit Fund Equity

At June 30, 2015, there were no funds with deficit fund equity.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 3-Deposits and Investments:

Deposits:

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

Investments:

Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies 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). A summary of investments of the County are listed below.

Credit Risk of Debt Securities:

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

The County's rated debt investments for SNAP were rated by Standard, as of June 30, 2015 and the ratings are presented below using the respective rating scale.

County's Rated Debt Investments' Values	
<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	<u>AAAm</u>
SNAP	<u>\$ 1,526,052</u>

External Investment Pools

The State Non-Arbitrage Pool (SNAP) is an open-end management investment company registered with the Securities and Exchange Commission.

Interest Rate Risk:

The County has not adopted an investment policy for interest rate risk and had no investments subject to interest rate risk at June 30, 2015.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 4-Due from Other Governmental Units:

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

	Primary Government		Component Unit-
	Governmental	Business-type	School Board
<u>Commonwealth of Virginia:</u>			
Local sales tax	\$ 254,905	\$ -	\$ -
State sales tax	-	-	479,939
Categorical aid	10,172	50,000	-
Shared expenses	138,161	-	-
Non-categorical aid	187,109	-	-
Virginia public assistance funds	85,917	-	-
Community services act	181,355	-	-
<u>Federal Government:</u>			
Virginia public assistance funds	112,487	-	-
School grants	-	-	317,742
Categorical aid	16,260	-	-
Totals	\$ 986,366	\$ 50,000	\$ 797,681

Note 5-Component Unit Obligations:

Fund	Due to Primary Government/ Component Unit	Due from Primary Government/ Component Unit
Primary Government:		
General Fund	\$ 2,481	\$ -
Component Unit - IDA		
IDA Fund	\$ -	\$ 2,481

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015Note 6-Interfund Transfers and Balances:

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

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ 102,490	\$ 2,838,759
Water and Sewer Fund	584,592	-
County Capital Improvements Fund	2,254,167	102,490
Industrial Development Authority	-	-
Total	<u>\$ 2,941,249</u>	<u>\$ 2,941,249</u>

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

Note 7-Long-Term Obligations:Primary Government - Governmental Activities Indebtedness:

The following is a summary of long-term obligation transactions of the County for the year ended June 30, 2015:

	<u>Balance July 1, 2014, as restated</u>	<u>Increases/ Issuances</u>	<u>Decreases/ Retirements</u>	<u>Balance June 30, 2015</u>
General obligation bonds	\$ 5,613,742	\$ -	\$ (1,133,845)	\$ 4,479,897
Lease revenue bonds	19,537,401	-	(648,421)	18,888,980
Unamortized premium	1,917,731	-	(98,345)	1,819,386
Capital lease	180,865	-	(42,981)	137,884
Landfill postclosure liability	177,085	-	(42,279)	134,806
Net OPEB obligation	131,133	73,167	(30,997)	173,303
Compensated absences	548,046	411,578	(411,035)	548,589
Net pension liability	3,280,748	1,713,355	(3,090,028)	1,904,075
Total	<u>\$ 31,386,751</u>	<u>\$ 2,198,100</u>	<u>\$ (5,497,931)</u>	<u>\$ 28,086,920</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 7-Long-Term Obligations: (Continued)Primary Government - Governmental Activities Indebtedness: (Continued)

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

Year Ending June 30,	General Obligation Bonds		Lease Revenue Bonds	
	Principal	Interest	Principal	Interest
2016	\$ 957,771	\$ 230,725	\$ 790,992	\$ 704,819
2017	979,507	181,478	841,289	673,428
2018	1,002,118	131,099	889,394	637,618
2019	760,895	79,540	1,113,029	595,682
2020	779,606	40,260	1,177,093	546,103
2021-2025	-	-	6,170,485	1,922,181
2026-2030	-	-	5,595,491	866,834
2031-2034	-	-	2,311,207	102,535
Totals	<u>\$ 4,479,897</u>	<u>\$ 663,102</u>	<u>\$ 18,888,980</u>	<u>\$ 6,049,200</u>

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COUNTY OF GILES, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 7-Long-Term Obligations: (Continued)

Primary Government - Governmental Activities Indebtedness: (Continued)

Details of long-term indebtedness:

	Interest Rates	Date Issued	Final Maturity Date	Installment Amounts	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
<u>General Obligation (GO) Bonds:</u>							
General Obligation 2000A VPSA Bond	5.10-5.60%	5/18/2000	7/15/2020	\$75,000-100,000 a+	\$ 1,270,000	\$ 450,000	\$ 80,000
General Obligation 2000B VPSA Bond	5.10-5.27%	11/25/2000	7/15/2020	\$606,914-679,606 a+	11,508,990	3,267,569	628,719
General Obligation 1998A VPSA Bond	4.35-5.10%	11/19/1998	7/15/2018	\$194,058-209,765 a+	3,684,045	616,809	201,511
General Obligation 1998B VPSA Bond	4.35-5.10%	11/19/1998	7/15/2018	\$45,782-49,488 a+	869,126	145,519	47,541
Total General Obligation Bonds						\$ 4,479,897	\$ 957,771
<u>Lease Revenue Bonds:</u>							
Lease Revenue Bond Series 2008A	4.73%	11/20/2008	1/15/2024	\$178,000-291,732 a+	\$ 3,110,000	\$ 2,133,732	\$ 195,000
Lease Revenue Bond Series 2012C	2.82-4.83%	12/6/2012	4/1/2033	\$261,697-989,344 a+	13,943,366	13,391,248	449,992
Lease Revenue Bond Series 2014C	2.12%	6/11/2014	1/15/2034	\$146,000-212,000 a+	3,536,000	3,364,000	146,000
Total Lease Revenue Bonds						\$ 18,888,980	\$ 790,992
<u>Deferred Amount:</u>							
Unamortized Premium						\$ 1,819,386	\$ 98,345
<u>Other Obligations:</u>							
Capital Lease (Note 8)						\$ 137,884	\$ 44,438
Landfill Postclosure Liability						134,806	-
Net OPEB Obligation						173,303	-
Compensated Absences						548,589	411,442
Net pension liability						1,904,075	-
Total Other Obligations						\$ 2,898,657	\$ 455,880
Total Long-Term Obligations						\$ 28,086,920	\$ 2,302,988

(a+) - annual principal installments shown; does not include semi-annual interest installments

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015Note 7-Long-Term Obligations: (Continued)Primary Government - Business-type Activities Indebtedness:

The following is a summary of long-term obligation transactions of the Enterprise Fund for the year ended June 30, 2015:

	Balance July 1, 2014, as restated	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2015
Revenue bond	\$ 298,483	\$ -	\$ (11,591)	\$ 286,892
Lease revenue bond	7,212,088	-	(153,108)	7,058,980
Unamortized premium	1,002,041	-	(51,387)	950,654
Net OPEB obligation	22,365	5,027	(13,401)	13,991
Compensated absences	38,533	48,713	(28,900)	58,346
Net pension liability	262,330	137,001	(247,081)	152,250
Total	\$ 8,835,840	\$ 190,741	\$ (505,468)	\$ 8,521,113

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

Year Ending June 30,	Revenue Bond		Lease Revenue Bond	
	Principal	Interest	Principal	Interest
2016	\$ 11,592	\$ -	\$ 237,233	\$ 281,975
2017	11,591	-	257,422	271,983
2018	11,591	-	275,930	259,932
2019	11,591	-	386,975	244,930
2020	11,591	-	413,895	226,191
2021-2025	57,957	-	2,247,820	825,247
2026-2030	57,957	-	2,456,450	379,134
2031-2035	57,957	-	783,255	30,809
2036-2040	55,065	-	-	-
Totals	\$ 286,892	\$ -	\$ 7,058,980	\$ 2,520,201

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COUNTY OF GILES, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 7-Long-Term Obligations: (Continued)

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

Details of long-term indebtedness:

	Interest Rates	Date Issued	Final Maturity Date	Installment Amounts	Amount of Original Issue	Balance Business-Type Activities	Amount Due Within One Year
<u>Revenue Bond:</u>							
Revenue Bond	0.00%	3/5/2009	3/5/2039	\$11,591 a	\$ 347,742	\$ 286,892	\$ 11,592
<u>Lease Revenue Bond:</u>							
Lease Revenue Bond Series 2012C	2.82-4.83%	12/6/2012	4/1/2033	\$137,950-521,955 a+	\$ 7,350,053	\$ 7,058,980	\$ 237,233
<u>Deferred Amount:</u>							
Unamortized Premium						\$ 950,654	\$ 51,387
<u>Other Obligations:</u>							
Net OPEB Obligation						\$ 13,991	\$ -
Compensated Absences						58,346	43,760
Net pension liability						152,250	-
Total Other Obligations						\$ 224,587	\$ 43,760
Total Long-Term Obligations						\$ 8,521,113	\$ 343,972

(a+) - annual principal installments shown; does not include semi-annual interest installments

(a) - annual principal installments shown; no interest for this revenue bond

Note 8-Long-Term Obligations-Component Units:

Discretely Presented Component Unit - School Board Indebtedness:

The following is a summary of long-term obligation transactions of the Component-Unit School Board for the year ended June 30, 2015:

	Balance July 1, 2014, as restated	Increases	Decreases	Balance July 1, 2015
Net OPEB Obligation	\$ 289,670	\$ 431,188	\$ (343,200)	\$ 377,658
Compensated Absences	414,372	301,532	(310,779)	405,125
Net pension liability	22,389,974	2,090,279	(4,452,538)	20,027,715
Total	\$ 704,042	\$ 2,822,999	\$ (5,106,517)	\$ 20,810,498

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015Note 8-Long-Term Obligations-Component Units: (Continued)Discretely Presented Component Unit - School Board Indebtedness: (Continued)Details of long-term indebtedness:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<u>Other Obligations:</u>		
Net OPEB obligation	\$ 377,658	\$ -
Compensated absences	405,125	303,844
Net pension liability	<u>20,027,715</u>	<u>-</u>
Total Long-Term Obligations	<u>\$ 20,810,498</u>	<u>\$ 303,844</u>

Discretely Presented Component Unit - Industrial Development Authority indebtedness:

The following is a summary of long-term obligation transactions of the Component-Unit Industrial Development Authority for the year ended June 30, 2015:

	<u>Balance July 1, 2014, as restated</u>	<u>Increases/ Issuances</u>	<u>Decreases/ Retirements</u>	<u>Balance June 30, 2015</u>
Notes Payable	\$ 2,875,836	\$ -	\$ (240,368)	\$ 2,635,468
Lease Revenue Bonds	3,896,249	-	(218,466)	3,677,783
Unamortized Premium	75,863	-	(3,890)	71,973
Net pension liability	<u>47,446</u>	<u>24,780</u>	<u>(44,690)</u>	<u>27,536</u>
Total	<u>\$ 6,895,394</u>	<u>\$ 24,780</u>	<u>\$ (507,414)</u>	<u>\$ 6,412,760</u>

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

<u>Year Ending June 30,</u>	<u>Notes Payable</u>		<u>Lease Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ -	\$ -	\$ 194,766	\$ 102,177
2017	128,106	109,799	201,278	96,896
2018	133,695	104,210	207,664	91,319
2019	139,529	98,377	220,980	85,378
2020	145,616	92,289	226,996	79,015
2021-2025	829,113	360,413	1,228,336	293,105
2026-2030	1,026,477	163,049	1,174,960	113,388
2031-2034	<u>232,932</u>	<u>4,973</u>	<u>222,803</u>	<u>11,025</u>
Totals	<u>\$ 2,635,468</u>	<u>\$ 933,110</u>	<u>\$ 3,677,783</u>	<u>\$ 872,303</u>

COUNTY OF GILES, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 8-Long-Term Obligations-Component Units: (Continued)

Discretely Presented Component Unit - Industrial Development Authority indebtedness: (Continued)

Details of long-term indebtedness:

	Interest Rates	Date Issued	Final Maturity Date	Installment Amounts	Amount of Original Issue	Balance Business- type Activities	Amount Due with- in One Year
<u>Notes Payable:</u>							
Notes Payable	4.27%	8/12/2010	7/15/2031	\$103,611 a	\$ 1,393,644	\$ 1,147,783	\$ -
Notes Payable	4.27%	8/12/2010	7/15/2031	\$134,294 a	1,806,356	1,487,685	-
Total Notes Payable						\$ 2,635,468	\$ -
<u>Lease Revenue Bonds:</u>							
Lease Revenue Bond Series 2012C	2.82-4.83%	12/6/2012	4/1/2033	\$10,352-39,137 a+	\$ 551,581	\$ 529,783	\$ 17,766
Lease Revenue Bond Series 2014A	2.12%	6/11/2014	1/15/2029	\$105,000-138,000 a+	1,809,000	1,691,000	105,000
Lease Revenue Bond Series 2014B	3.93%	6/11/2014	1/15/209	\$43,000-71,000 a+	844,000	789,000	43,000
Lease Revenue Bond Series 2014C	2.12%	6/11/2014	1/15/2034	\$29,000-42,000 a+	702,000	668,000	29,000
Total Lease Revenue Bonds						\$ 3,677,783	\$ 194,766
<u>Deferred Amount:</u>							
Unamortized Premium						\$ 71,973	\$ 3,890
<u>Other Obligations:</u>							
Net pension liability						\$ 27,536	\$ -
Total Long-Term Obligations						\$ 6,412,760	\$ 198,656

(a) - annual installments shown; includes interest as applicable

(a+) - annual principal installments shown; does not include semi-annual interest installments

Note 9-Capital Lease:

Primary Government

The County has entered into a lease agreement to finance the acquisition of E-911 equipment. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the minimum lease payments at the date of inception.

The assets acquired through the capital lease are as follows:

	E-911 Equipment
Machinery and equipment	\$ 170,718
Less: Accumulated depreciation	(72,909)
Net Capital Asset	\$ 97,809

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 9-Capital Lease: (Continued)

Primary Government (Continued)

The future minimum lease obligations and the net present value of minimum lease payments as of June 30, 2015, were as follows:

Year Ending June 30,	E-911 Equipment
2016	\$ 49,112
2017	49,112
2018	<u>49,112</u>
Subtotal	\$ 147,336
Less, amount representing interest	<u>(9,452)</u>
Present Value of Lease Agreement	<u>\$ 137,884</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015**Note 10 - Pension Plan:***Plan Description*

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015Note 10 - Pension Plan: (Continued)*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
About Plan 1 (Cont.)	About Plan 2 (Cont.)	About the Hybrid Retirement Plan (Cont.) <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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015Note 10 - 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>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015Note 10 - 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>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 10 - 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>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015Note 10 - 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:</u> (Cont.) 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>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015Note 10 - 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>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 10 - 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>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015Note 10 - 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</p> <p>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</p> <p>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</p> <p><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>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015Note 10 - 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>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015Note 10 - 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>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015Note 10 - Pension Plan: (Continued)*Plan Description (Continued)*

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.

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:

	Primary Government	Component Unit School Board Nonprofessional
Inactive members or their beneficiaries currently receiving benefits	89	47
Inactive members:		
Vested inactive members	30	4
Non-vested inactive members	18	18
Inactive members active elsewhere in VRS	57	12
Total inactive members	105	34
Active members	98	54
Total covered employees	292	135

Contributions

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

The County's contractually required contribution rate for the year ended June 30, 2015 was 12.12% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 10 - Pension Plan: (Continued)

Contributions (Continued)

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were \$559,102 and \$532,111 for the years ended June 30, 2015 and June 30, 2014, respectively.

The Component Unit Industrial Development Authority's (IDA) contractually required contribution rate for the year ended June 30, 2015 was 12.12% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit IDA were \$7,487 and \$7,126 for the years ended June 30, 2015 and June 30, 2014, respectively.

The Component Unit School Board's contractually required contribution rate for nonprofessional employees for the year ended June 30, 2015 was 12.33% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board's nonprofessional employees were \$142,878 and \$181,467 for the years ended June 30, 2015 and June 30, 2014, respectively.

Net Pension Liability

The County's, Component Unit IDA, and Component Unit School Board's (nonprofessional) net pension liabilities were measured as of June 30, 2014. The total pension liabilities used to calculate the net pension liabilities 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.

Actuarial Assumptions - General Employees

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 10 - Pension Plan: (Continued)

Actuarial Assumptions - General Employees (Continued)

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 10 - 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

Actuarial Assumptions - Public Safety Employees

The total pension liability for Public Safety employees in the County's Retirement Plan was based on an actuarial valuation as of June 30, 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% - 4.75%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

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

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

Largest 10 - Non-LEOS:

Pre-Retirement:

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 10 - Pension Plan: (Continued)

Actuarial Assumptions - Public Safety Employees (Continued)

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 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 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - LEOS:

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015Note 10 - Pension Plan: (Continued)*Long-Term Expected Rate of Return*

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

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

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015Note 10 - Pension Plan: (Continued)*Discount Rate*

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

Changes in Net Pension Liability

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2013	\$ 20,042,729	\$ 16,499,651	\$ 3,543,078
Changes for the year:			
Service cost	\$ 470,527	\$ -	\$ 470,527
Interest	1,365,894	-	1,365,894
Differences between expected and actual experience	-	-	-
Contributions - employer	-	532,111	(532,111)
Contributions - employee	-	219,470	(219,470)
Net investment income	-	2,585,528	(2,585,528)
Benefit payments, including refunds of employee contributions	(1,059,912)	(1,059,912)	-
Administrative expenses	-	(14,071)	14,071
Other changes	-	136	(136)
Net changes	\$ 776,509	\$ 2,263,262	\$ (1,486,753)
Balances at June 30, 2014	\$ 20,819,238	\$ 18,762,913	\$ 2,056,325

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015Note 10 - Pension Plan: (Continued)*Changes in Net Pension Liability*

	Component Unit Industrial Development Authority		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2013	\$ 268,395	\$ 220,949	\$ 47,446
Changes for the year:			
Service cost	\$ 6,301	\$ -	\$ 6,301
Interest	18,291	-	18,291
Differences between expected and actual experience	-	-	-
Contributions - employer	-	7,126	(7,126)
Contributions - employee	-	2,939	(2,939)
Net investment income	-	34,623	(34,623)
Benefit payments, including refunds of employee contributions	(14,193)	(14,193)	-
Administrative expenses	-	(188)	188
Other changes	-	2	(2)
Net changes	\$ 10,399	\$ 30,309	\$ (19,910)
Balances at June 30, 2014	\$ 278,794	\$ 251,258	\$ 27,536

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015Note 10 - Pension Plan: (Continued)*Changes in Net Pension Liability*

	Component Unit-School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2013	\$ 5,256,652	\$ 3,841,678	\$ 1,414,974
Changes for the year:			
Service cost	\$ 107,050	\$ -	\$ 107,050
Interest	356,957	-	356,957
Differences between expected and actual experience	-	-	-
Contributions - employer	-	181,467	(181,467)
Contributions - employee	-	57,830	(57,830)
Net investment income	-	601,209	(601,209)
Benefit payments, including refunds of employee contributions	(314,534)	(314,534)	-
Administrative expenses	-	(3,272)	3,272
Other changes	-	32	(32)
Net changes	\$ 149,473	\$ 522,732	\$ (373,259)
Balances at June 30, 2014	\$ 5,406,125	\$ 4,364,410	\$ 1,041,715

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015Note 10 - Pension Plan: (Continued)*Sensitivity of the Net Pension Liability to Changes in the Discount Rate*

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
County			
Net Pension Liability (Asset)	4,808,821	2,056,325	(220,101)
Component Unit Industrial Development Authority			
Net Pension Liability (Asset)	64,395	27,536	(2,947)
Component Unit School Board (nonprofessional)			
Net Pension Liability	1,712,476	1,041,715	482,944

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015Note 10 - Pension Plan: (Continued)*Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

For the year ended June 30, 2015, the County, Component Unit IDA, and Component Unit School Board (nonprofessional) recognized pension expense of \$198,823, \$2,662, and \$76,239, respectively. At June 30, 2015, the County, Component Unit IDA, and Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government		Component Unit- Industrial Development Authority		Component Unit-School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 1,153,465	\$ -	\$ 15,446	\$ -	\$ 268,031
Employer contributions subsequent to the measurement date	559,102	-	7,487	-	142,878	-
Total	\$ 559,102	\$ 1,153,465	\$ 7,487	\$ 15,446	\$ 142,878	\$ 268,031

\$559,102, \$7,487, and \$142,878 reported as deferred outflows of resources related to pensions resulting from the County's, Component Unit IDA's, and Component Unit School Board's (nonprofessional) contributions, respectively, subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 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	Primary Government	Component Unit Industrial Development Authority	Component Unit School Board (nonprofessional)
2016	\$ (288,367)	\$ (3,862)	(67,008)
2017	(288,367)	(3,862)	(67,008)
2018	(288,367)	(3,862)	(67,008)
2019	(288,364)	(3,860)	(37,008)
Thereafter	-	-	-

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 10 - 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 \$1,682,000 and \$1,341,000 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 \$18,986,000 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 0.15711% as compared to 0.15226% at June 30, 2013.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015Note 10 - 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 \$1,623,000. 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	2,818,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	547,000	-
Employer contributions subsequent to the measurement date	1,682,000	-
Total	\$ 2,229,000	\$ 2,818,000

\$1,682,000 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:

Year ended June 30	
2016	\$ (583,000)
2017	(583,000)
2018	(583,000)
2019	(583,000)
Thereafter	61,000

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 10 - 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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015Note 10 - 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%.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015Note 10 - 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	\$ 27,879,000	\$ 18,986,000	\$ 11,664,000

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.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015Note 11- Unavailable/Deferred Revenue:

Governmental funds report *unavailable revenue* in connection with receivables for revenues not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *unavailable revenue* reported in the governmental funds were as follows:

		<u>Unavailable</u>		<u>Deferred</u>
Property taxes receivable due after June 30, 2015	\$	2,901,755	\$	2,901,755
Property taxes receivable due prior to June 30, 2015		594,540		-
Prepaid taxes		305,891		305,891
Total unavailable revenue for governmental funds	\$	<u>3,802,186</u>	\$	<u>3,207,646</u>

Note 12-Capital Assets:

Capital asset activity for the year ended June 30, 2015 was as follows:

Primary Government:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 530,530	\$ -	\$ -	\$ 530,530
Construction in progress	79,598	448,925	(149,013)	379,510
Total capital assets not being depreciated	<u>\$ 610,128</u>	<u>\$ 448,925</u>	<u>\$ (149,013)</u>	<u>\$ 910,040</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 39,001,253	\$ -	\$ -	\$ 39,001,253
Machinery and equipment	3,501,327	67,495	-	3,568,822
Total capital assets being depreciated	<u>\$ 42,502,580</u>	<u>\$ 67,495</u>	<u>\$ -</u>	<u>\$ 42,570,075</u>
Accumulated depreciation:				
Buildings and improvements	\$ (17,316,978)	\$ (1,930,109)	\$ -	\$ (19,247,087)
Machinery and equipment	(2,389,585)	(295,308)	-	(2,684,893)
Total accumulated depreciation	<u>\$ (19,706,563)</u>	<u>\$ (2,225,417)</u>	<u>\$ -</u>	<u>\$ (21,931,980)</u>
Total capital assets being depreciated, net	<u>\$ 22,796,017</u>	<u>\$ (2,157,922)</u>	<u>\$ -</u>	<u>\$ 20,638,095</u>
Governmental activities capital assets, net	<u>\$ 23,406,145</u>	<u>\$ (1,708,997)</u>	<u>\$ (149,013)</u>	<u>\$ 21,548,135</u>

COUNTY OF GILES, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 12-Capital Assets: (Continued)

Primary Government: (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 13,000	\$ -	\$ -	\$ 13,000
Construction in progress	642,845	2,051,606	(76,369)	2,618,082
Total capital assets, not being depreciated	<u>\$ 655,845</u>	<u>\$ 2,051,606</u>	<u>\$ (76,369)</u>	<u>\$ 2,631,082</u>
Capital assets, being depreciated:				
Utility plant and infrastructure	\$ 14,250,901	\$ 76,369	\$ -	\$ 14,327,270
Machinery and equipment	456,786	40,000	-	496,786
Total capital assets, being depreciated	<u>\$ 14,707,687</u>	<u>\$ 116,369</u>	<u>\$ -</u>	<u>\$ 14,824,056</u>
Accumulated depreciation:				
Utility plant and infrastructure	\$ (3,902,656)	\$ (456,879)	\$ -	\$ (4,359,535)
Machinery and equipment	(275,946)	(33,060)	-	(309,006)
Total accumulated depreciation	<u>\$ (4,178,602)</u>	<u>\$ (489,939)</u>	<u>\$ -</u>	<u>\$ (4,668,541)</u>
Total capital assets being depreciated, net	<u>\$ 10,529,085</u>	<u>\$ (373,570)</u>	<u>\$ -</u>	<u>\$ 10,155,515</u>
Business-type activities capital assets, net	<u>\$ 11,184,930</u>	<u>\$ 1,678,036</u>	<u>\$ (76,369)</u>	<u>\$ 12,786,597</u>

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

Governmental activities:

General government administration	\$ 118,320
Judicial administration	39,940
Public safety	190,124
Public works	5,882
Education	1,759,418
Parks, recreation, and cultural	29,937
Community development	<u>81,796</u>

Total depreciation expense-governmental activities \$ 2,225,417

Business-type activities:

Water department	<u>\$ 489,939</u>
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015Note 12-Capital Assets: (Continued)

Capital asset activity for the School Board for the year ended June 30, 2015 was as follows:

Discretely Presented Component Unit-School Board:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 473,652	\$ -	\$ -	\$ 473,652
Construction in progress	621,846	169,029	(760,299)	30,576
Total capital assets not being depreciated	<u>\$ 1,095,498</u>	<u>\$ 169,029</u>	<u>\$ (760,299)</u>	<u>\$ 504,228</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 10,926,030	\$ 744,335	\$ -	\$ 11,670,365
Machinery and equipment	4,404,775	228,739	-	4,633,514
Total capital assets being depreciated	<u>\$ 15,330,805</u>	<u>\$ 973,074</u>	<u>\$ -</u>	<u>\$ 16,303,879</u>
Accumulated depreciation:				
Buildings and improvements	\$ (8,437,943)	\$ (351,617)	\$ -	\$ (8,789,560)
Machinery and equipment	(3,239,460)	(252,719)	-	(3,492,179)
Total accumulated depreciation	<u>\$ (11,677,403)</u>	<u>\$ (604,336)</u>	<u>\$ -</u>	<u>\$ (12,281,739)</u>
Total capital assets being depreciated, net	<u>\$ 3,653,402</u>	<u>\$ 368,738</u>	<u>\$ -</u>	<u>\$ 4,022,140</u>
Governmental activities capital assets, net	<u>\$ 4,748,900</u>	<u>\$ 537,767</u>	<u>\$ (760,299)</u>	<u>\$ 4,526,368</u>

Depreciation expense of \$604,336 was charged to education in the Statement of Activities.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015Note 12-Capital Assets: (Continued)

Capital asset activity for the Industrial Development Authority for the year ended June 30, 2015 was as follows:

Discretely Presented Component Unit-Industrial Development Authority:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 618,634	\$ -	\$ -	\$ 618,634
Total capital assets not being depreciated	\$ 618,634	\$ -	\$ -	\$ 618,634
Capital assets, being depreciated:				
Buildings and improvements	\$ 9,493,633	\$ -	\$ -	\$ 9,493,633
Accumulated depreciation:				
Buildings and improvements	\$ (1,239,424)	\$ (250,125)	\$ -	\$ (1,489,549)
Total capital assets being depreciated, net	\$ 8,254,209	\$ (250,125)	\$ -	\$ 8,004,084
Business-type activities capital assets, net	\$ 8,872,843	\$ (250,125)	\$ -	\$ 8,622,718

All Depreciation of the Component Unit-Industrial Development Authority was charged to Community Development.

Note 13-Inventories/Assets Held for Resale:

Discretely Presented Component Unit-Industrial Development Authority:

The Industrial Development Authority has assets consisting of land and structures specifically held for resale that are not depreciated. At June 30, 2015, the value of these assets was \$1,705,481.

The following is a summary of transactions for these assets for the year ended June 30, 2015.

	Beginning Balance	Increases	Decreases	Ending Balance
Inventories/ Assets held for resale	\$ 1,705,481	\$ -	\$ -	\$ 1,705,481

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 14-Risk Management:

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

Note 15-Contingent Liabilities:

Federal programs in which the County and its component units participate were audited in accordance with the provisions of U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by audit, the Federal Government may subject grant programs to additional compliance tests, which may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

Note 16-Surety Bonds:

Primary Government:

<u>Fidelity & Deposit Company of Maryland-Surety:</u>	
Charles Fraley, Clerk of the Circuit Court	\$ 550,000
Gerald W. Duncan, Treasurer	400,000
Lisa Corell, Commissioner of the Revenue	3,000
William M. Millirons, Sheriff	30,000

Note 17-Landfill Postclosure Liability:

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The County landfill has been closed. Total costs for landfill postclosure are estimated to be \$134,806. This amount is based on what it would cost to perform all postclosure care in 2015. Actual costs for postclosure monitoring may change due to inflation, deflation, changes in technology or changes in regulations. The County uses the Commonwealth of Virginia's financial assurance mechanism to meet the Department of Environmental Quality's assurance requirements for landfill post-closure costs.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 17-Landfill Postclosure Liability: (Continued)

The County demonstrated financial assurance requirements for closure, postclosure care, and corrective action costs through the submission of a Local Governmental Financial Test to the Virginia Department of Environmental Quality in accordance with Section 9VA C20-70 of the Virginia Administrative Code.

Note 18-Other Postemployment Benefits - Health Care:

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

A. Plan Description

The County of Giles and Giles County's Component Unit - School Board administers a single-employer healthcare plan ("the Plan"). The Plan provides for participation by eligible retirees and their dependents in the health insurance programs available to County and School Board employees. The Plan will provide retiring employees the option to continue health insurance offered by the County and School Board. Any County eligible retiree and spouse may receive this benefit until he/she has reaches the earlier of sixty five years of age or death. Coverage for the spouse ends at the earliest of the retiree's death, the retiree's attainment of age 65, the spouse's death, and the spouse's attainment of age 65. The School Boards coverage ends at the earlier of attainment of age 65 and death unless the participant enrolls in the Medicare supplement plan. If a participant enrolls in the Medicare supplement plan, coverage may continue for life. A spouse may continue coverage after the death of the retiree at their own cost.

For the County, to be eligible for this benefit a retiree must meet at least one of the following criteria: attained age 50 and 10 years of service, attained age 55 and 5 years of service, or disabled with no age or service requirements. For the School Board, to be eligible for this benefit a retiree must meet at least one of the following criteria for those hired before July 1, 2010: attained age 50 and 10 years of service, attained age 65 and 5 years of service, if hired after July 1, 2010 age plus service is at least 90 or age 60 with at least 5 years of service, or disabled with no age or service. The benefits, employee contributions and the employer contributions are governed by the Board of Supervisors and the School Board and can be amended through the Board of Supervisors and the School Board action respectively. The Plan does not issue a publicly available financial report.

B. Funding Policy

The County and School Board currently pay for the post-retirement health care benefits on a pay-as-you-go basis. The County and School Board currently have 96 and 347 employees that are eligible, respectively, for the program. In addition, the County pays up to \$503.00 per month for retirees with at least 30 years of service with the County and up to \$251.50 per month for retirees with at least 20 years of service with the County. The County does not make contributions to the medical premium for retirees with less than 20 years of service.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015Note 18-Other Postemployment Benefits - Health Care: (Continued)

B. Funding Policy (Continued)

Retirees must pay the difference between the premium and the employer contribution. Any additional premium to cover a spouse and dependents is paid by the retiree. In addition, the School Board pays for retirees under age 65 who have at least 30 years of service with the System, the System contributes a monthly amount equal to the Retiree Only premium of the Key Advantage 500 plan (\$503.00 as of 7/1/2012). Once the retiree reaches age 65, all employer contributions stop. Retirees under age 65 who have less than 30 years of service with the System receive no contribution from the System. Retirees with under 30 years of service may enter a 30 Day Employment program. The System makes contributions for participants in the 30 Day Employment Program as though they had 30 years of service. All retirees are responsible for providing the difference between the premium and the amount contributed by the System.

Health benefits include Medical, Dental, and Vision coverage for retirees and eligible spouses/dependents. Retirees are eligible to choose one of the following medical options through the County. The rates are as follows:

Medical & Dental	Anthem 500	Anthem 1000	Anthem 2000
Employee Only	\$ 684.99	\$ 621.64	\$ 563.40
Employee & Spouse	1,532.65	1,390.75	1,260.29
Employee & Child	935.18	848.65	769.10
Employee & Dependents	1,391.14	1,262.36	1,143.96
Family	2,110.29	1,914.87	1,575.36

Health benefits include Medical, Dental, and Vision coverage for retirees and eligible spouses/dependents. Retirees are eligible to choose one of the following medical options through the School Board. The rates are as follows:

Medical & Dental	Optima - HMO 500	Optima - HMO 1000	Optima - EQPLUS
Employee Only	\$ 533.00	\$ 498.00	\$ 418.00
Employee & Spouse	922.00	929.00	779.00
Employee & Dependents	992.00	929.00	779.00
Family	1,458.00	1,365.00	1,146.00

The County and School Board are required to contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015Note 18-Other Postemployment Benefits - Health Care: (Continued)

C. Annual OPEB Cost and Net OPEB Obligation

The County's and School Board's annual other postemployment benefit (OPEB) cost 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 costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the County and School Board's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County and School Board's net OPEB obligation:

	Primary Government			Component Unit
	General	Water and Sewer	Total	School Board
Annual required contribution	\$ 62,550	\$ 5,050	\$ 67,600	\$ 436,800
Interest on net OPEB obligation	4,971	401	5,372	10,138
Adjustment to annual required contribution	5,646	(11,322)	(5,676)	(15,750)
Annual OPEB cost (expense)	73,167	(5,871)	67,296	431,188
Contributions made	(30,997)	(2,503)	(33,500)	(343,200)
Increase (Decrease) in net OPEB obligation	42,170	(8,374)	33,796	87,988
Net OPEB obligation - beginning of year	131,133	22,365	153,498	289,670
Net OPEB obligation - end of year	\$ 173,303	\$ 13,991	\$ 187,294	\$ 377,658

The County and 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 were as follows:

Entity	Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
County	6/30/2015	\$ 67,296	50%	\$ 187,294
County	6/30/2014	72,661	55%	153,498
County	6/30/2013	69,863	49%	120,837
School Board	6/30/2015	431,188	80%	377,658
School Board	6/30/2014	604,492	97%	289,670
School Board	6/30/2013	589,204	108%	268,878

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015Note 18-Other Postemployment Benefits - Health Care: (Continued)

D. Funded Status and Funding Progress

The funded status of the Plan for the County as of January 1, 2015, the most recent valuation date, is as follows:

Actuarial accrued liability (AAL)	\$	805,900
Actuarial value of plan assets	\$	-
Unfunded actuarial accrued liability (UAAL)	\$	805,900
Funded ratio (actuarial value of plan assets / AAL)		0.00%
Covered payroll (active plan members)	\$	4,586,600
UAAL as a percentage of covered payroll		17.57%

The funded status of the Plan for the School Board as of January 1, 2015, the most recent valuation date, is as follows:

Actuarial accrued liability (AAL)	\$	4,355,100
Actuarial value of plan assets	\$	-
Unfunded actuarial accrued liability (UAAL)	\$	4,355,100
Funded ratio (actuarial value of plan assets / AAL)		0.00%
Covered payroll (active plan members)	\$	11,318,500
UAAL as a percentage of covered payroll		38.48%

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

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

E. Actuarial Methods and Assumptions

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 18-Other Postemployment Benefits - Health Care: (Continued)

E. Actuarial Methods and Assumptions (Continued)

Primary Government:

As of January 1, 2015, the most recent actuarial valuation date, the projected unit of credit actuarial cost method was used. Under this method, future benefits are projected and the present value of such benefits is allocated from date of hire to date of eligibility the actuarial assumptions included: inflations at 3.00 percent, investments rate of return at 3.50 percent, and a health care trend rate of 6.50 percent graded to 4.50 percent over 65 years. The UAAL is being amortized as a level percentage over the remaining amortization period, which at January 1, 2015 was 30 years.

Discretely Presented Component Unit - School Board:

As of January 1, 2015, the most recent actuarial valuation date, the projected unit of credit actuarial cost method was used. Under this method, future benefits are projected and the present value of such benefits is allocated from date of hire to date of eligibility the actuarial assumptions included: investments rate of return at 3.50 percent, and a health care trend rate of 6.60 percent graded to 4.50 percent over 77 years. The UAAL is being amortized as a level percentage over the remaining amortization period, which at January 1, 2015 was 30 years.

Note 19-Other Postemployment Benefits (OPEB)-VRS Health Insurance Credit:

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

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

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The School's Boards contributions to VRS were \$123,401, \$127,526, and \$121,324 for the fiscal years ended 2015, 2014, and 2013, respectively, and equaled the required contributions. The School Board's contributions represented 1.06%, 1.11%, and 1.11% of annual covered payroll for the fiscal years ended 2015, 2014, and 2013, respectively.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015Note 20 - Commitments and Contingencies:

At June 30, 2015, the following construction commitments were outstanding:

Project	Total Due	Retainage	Net Amount Due
Governmental Activities			
Eastern Elementary Renovations	\$ 47,570	\$ 47,570	\$ -
Business-type Activities			
460 Water Extension Project	\$ 182,544	\$ 66,590	\$ 115,954

Note 21-Litigation:

As of June 30, 2015, there were no matters of litigation involving the County which would materially affect the County's financial position should an court decisions on pending matters not be favorable.

Note 22-Adoption of Accounting Principle:

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 County 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 these Statements 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:

	Primary Government		Component Unit	Component Unit
	Net Position		Net Position	Net Position
	Governmental Activities	Business-type Activities	School Board	IDA
July 1 2014, as previously stated	\$ 6,071,269	3,933,351	\$ 6,198,093	\$ 4,035,835
Net pension liability	(3,280,748)	(262,330)	(22,389,974)	(47,447)
Deferred outflows	492,713	39,398	1,522,467	7,126
July 1 2014, as restated	\$ 3,283,234	\$ 3,710,419	\$ (14,669,414)	\$ 3,995,514

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 23 - 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.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 23 - Upcoming Pronouncements: (Continued)

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

County of Giles, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
General property taxes	\$ 12,475,186	\$ 12,475,186	\$ 12,739,163	\$ 263,977
Other local taxes	1,882,124	1,927,107	2,154,391	227,284
Permits, privilege fees, and regulatory licenses	112,222	112,222	93,856	(18,366)
Fines and forfeitures	76,500	76,500	37,418	(39,082)
Revenue from the use of money and property	164,978	169,841	148,923	(20,918)
Charges for services	629,524	721,777	579,154	(142,623)
Miscellaneous	374,814	379,141	38,211	(340,930)
Recovered costs	1,601,860	1,720,980	1,252,684	(468,296)
Intergovernmental:				
Commonwealth	5,570,751	5,580,328	5,174,369	(405,959)
Federal	1,369,818	1,369,818	1,695,698	325,880
Total revenues	\$ 24,257,777	\$ 24,532,900	\$ 23,913,867	\$ (619,033)
EXPENDITURES				
Current:				
General government administration	\$ 1,766,531	\$ 1,928,474	\$ 1,855,174	\$ 73,300
Judicial administration	775,690	780,544	765,051	15,493
Public safety	4,684,969	5,128,799	4,974,888	153,911
Public works	602,942	732,425	675,960	56,465
Health and welfare	4,230,450	4,229,212	4,328,086	(98,874)
Education	6,393,318	6,529,425	6,612,460	(83,035)
Parks, recreation, and cultural	547,018	675,860	662,203	13,657
Community development	739,877	794,849	882,550	(87,701)
Nondepartmental	632,853	633,529	571,052	62,477
Debt service:				
Principal retirement	1,162,491	1,067,612	1,362,820	(295,208)
Interest and other fiscal charges	389,009	357,259	456,046	(98,787)
Total expenditures	\$ 21,925,148	\$ 22,857,988	\$ 23,146,290	\$ (288,302)
Excess (deficiency) of revenues over (under) expenditures	\$ 2,332,629	\$ 1,674,912	\$ 767,577	\$ (907,335)
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 102,490	\$ 102,490
Transfers out	(2,492,190)	(2,581,937)	(2,838,759)	(256,822)
Total other financing sources (uses)	\$ (2,492,190)	\$ (2,581,937)	\$ (2,736,269)	\$ (154,332)
Net change in fund balances	\$ (159,561)	\$ (907,025)	\$ (1,968,692)	\$ (1,061,667)
Fund balances - beginning	400,311	921,774	6,522,206	5,600,432
Fund balances - ending	\$ 240,750	\$ 14,749	\$ 4,553,514	\$ 4,538,765

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

Primary Government: Other Postemployment Benefit

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio (2)/(3)	Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1/1/2015	\$ -	\$ 805,900	\$ 805,900	0.00%	\$ 4,586,600	17.57%
1/1/2013	-	755,000	755,000	0.00%	3,957,400	19.08%
1/1/2011	-	535,900	535,900	0.00%	3,615,000	14.82%

Discretely Presented Component Unit: School Board Other Postemployment Benefit

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio (2)/(3)	Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1/1/2015	\$ -	\$ 4,355,100	\$ 4,355,100	0.00%	\$ 11,318,500	38.48%
1/1/2013	-	6,593,500	6,593,500	0.00%	11,601,200	56.83%
1/1/2011	-	6,643,300	6,643,300	0.00%	11,886,000	55.89%

County of Giles, Virginia
Schedule of Components of and Changes in Net Pension Liability and Related Ratios
Primary Government
For the Year Ended June 30, 2015

	2014
Total pension liability	
Service cost	\$ 476,828
Interest	1,384,185
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	-
Benefit payments, including refunds of employee contributions	(1,074,105)
Net change in total pension liability	\$ 786,908
Total pension liability - beginning	20,311,123
Total pension liability - ending (a)	\$ 21,098,031
Plan fiduciary net position	
Contributions - employer	\$ 539,236
Contributions - employee	222,409
Net investment income	2,620,151
Benefit payments, including refunds of employee contributions	(1,074,105)
Administrative expense	(14,259)
Other	138
Net change in plan fiduciary net position	\$ 2,293,570
Plan fiduciary net position - beginning	16,720,600
Plan fiduciary net position - ending (b)	\$ 19,014,170
County's net pension liability - ending (a) - (b)	\$ 2,083,861
Plan fiduciary net position as a percentage of the total pension liability	90.12%
Covered-employee payroll	\$ 4,475,295
County's net pension liability as a percentage of covered-employee payroll	46.56%

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.

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

	2014
Total pension liability	
Service cost	\$ 107,050
Interest	356,957
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	-
Benefit payments, including refunds of employee contributions	(314,534)
Net change in total pension liability	\$ 149,473
Total pension liability - beginning	5,256,652
Total pension liability - ending (a)	\$ 5,406,125
Plan fiduciary net position	
Contributions - employer	\$ 181,467
Contributions - employee	57,830
Net investment income	601,209
Benefit payments, including refunds of employee contributions	(314,534)
Administrative expense	(3,272)
Other	32
Net change in plan fiduciary net position	\$ 522,732
Plan fiduciary net position - beginning	3,841,678
Plan fiduciary net position - ending (b)	\$ 4,364,410
School Division's net pension liability - ending (a) - (b)	\$ 1,041,715
Plan fiduciary net position as a percentage of the total pension liability	80.73%
Covered-employee payroll	\$ 1,156,588
School Division's net pension liability as a percentage of covered-employee payroll	90.07%

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.

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

	<u>2014</u>
Employer's Proportion of the Net Pension Liability (Asset)	0.15711%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 18,986,000
Employer's Covered-Employee Payroll	11,488,868
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	165.26%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.88%

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.

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

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

<u>Date</u>	<u>Contractually Required Contribution (1)</u>	<u>Contributions in Relation to Contractually Required Contribution (2)</u>	<u>Contribution Deficiency (Excess) (3)</u>	<u>Employer's Covered Employee Payroll (4)</u>	<u>Contributions as a % of Covered Employee Payroll (5)</u>
Primary Government					
2015	\$ 559,102	\$ 559,102	\$ -	\$ 4,637,626	12.06%
Component Unit School Board (nonprofessional)					
2015	\$ 142,878	\$ 142,878	\$ -	\$ 1,158,779	12.33%
Component Unit School Board (professional)					
2015	\$ 1,682,000	\$ 1,682,000	\$ -	\$ 11,641,598	14.50%
Component Unit IDA					
2015	\$ 7,487	\$ 7,487	\$ -	\$ 62,102	12.06%

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.

County of Giles, Virginia
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

Other Supplementary Information

County of Giles, Virginia
Capital Improvements Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2015

	County Capital Improvements Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 10,289	\$ 10,289
Recovered costs	-	-	500	500
Total revenues	\$ -	\$ -	\$ 10,789	\$ 10,789
EXPENDITURES				
Current:				
General government administration	\$ 10,000	\$ 11,383	\$ 117,881	\$ (106,498)
Public safety	-	-	4	(4)
Public works	3,855,000	3,940,608	282,087	3,658,521
Education	-	-	80,000	(80,000)
Community development	205,000	205,000	82,883	122,117
Debt service:				
Principal retirement	358,224	358,224	462,427	(104,203)
Interest and other fiscal charges	458,197	458,197	591,482	(133,285)
Total expenditures	\$ 4,886,421	\$ 4,973,412	\$ 1,616,764	\$ 3,356,648
Excess (deficiency) of revenues over (under) expenditures	\$ (4,886,421)	\$ (4,973,412)	\$ (1,605,975)	\$ 3,367,437
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 1,386,421	\$ 1,473,412	\$ 2,254,167	\$ 780,755
Transfers out	-	-	(102,490)	(102,490)
Issuance of lease revenue bond	3,500,000	3,500,000	-	(3,500,000)
Total other financing sources (uses)	\$ 4,886,421	\$ 4,973,412	\$ 2,151,677	\$ (2,821,735)
Net change in fund balances	\$ -	\$ -	\$ 545,702	\$ 545,702
Fund balances - beginning	-	-	3,938,431	3,938,431
Fund balances - ending	\$ -	\$ -	\$ 4,484,133	\$ 4,484,133

FIDUCIARY FUNDS

Special Welfare - The Special Welfare fund accounts for those funds belonging to individuals entrusted to the local social services agency, such as foster care children.

County of Giles, Virginia
Statement of Changes in Assets and Liabilities
Agency Fund
June 30, 2015

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2015</u>
ASSETS				
Cash and cash equivalents				
Special Welfare Fund	<u>\$ 61,009</u>	<u>\$ 86,740</u>	<u>\$ (87,488)</u>	<u>\$ 60,261</u>
LIABILITIES				
Amounts held for Social Services clients	<u>\$ 61,009</u>	<u>\$ 86,740</u>	<u>\$ (87,488)</u>	<u>\$ 60,261</u>

DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL
BOARD
MAJOR GOVERNMENTAL FUNDS

School Operating Fund - The School Operating Fund accounts for the operations of the County's school system. Financing is provided by the State and Federal governments as well as contributions from the General Fund.

County of Giles, Virginia
Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2015

	School Operating Fund
ASSETS	
Cash and cash equivalents	\$ 3,159,855
Cash in custody of others	315,723
Due from other governmental units	797,681
Inventories	3,934
Prepaid items	496,224
Restricted assets:	
Temporarily restricted:	
Cash and cash equivalents (in custody of others)	700
Total assets	<u>\$ 4,774,117</u>
LIABILITIES	
Accounts payable	\$ 17,846
Accrued payroll	2,112,622
Total liabilities	<u>\$ 2,130,468</u>
FUND BALANCES	
Nonspendable:	
Prepaid items	\$ 496,224
Inventory	3,934
Restricted:	
School cafeteria	700
Committed:	2,142,791
Total fund balances	<u>\$ 2,643,649</u>
Total liabilities and fund balances	<u>\$ 4,774,117</u>
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:	
Total fund balances per above	\$ 2,643,649
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Land	\$ 473,652
Construction in progress	30,576
Buildings and improvements	2,880,805
Machinery, equipment, and vehicles	<u>1,141,335</u>
	4,526,368
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	\$ (3,086,031)
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	
	1,824,878
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	
Net OPEB obligation	\$ (377,658)
Compensated absences	(405,125)
Net pension liability	(20,027,715)
Changes in the proportionate share of net pension liability	<u>547,000</u>
	\$ (20,263,498)
Net position of governmental activities	<u><u>\$ (14,354,634)</u></u>

County of Giles, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2015

	School Operating Fund
REVENUES	
Revenue from the use of money and property	\$ 566
Charges for services	405,912
Miscellaneous	130,718
Recovered costs	276,925
Intergovernmental:	
Local government	6,607,982
Commonwealth	15,406,592
Federal	1,927,179
Total revenues	<u>\$ 24,755,874</u>
EXPENDITURES	
Current:	
Education	\$ 24,265,460
Total expenditures	<u>\$ 24,265,460</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 490,414</u>
Net change in fund balances	\$ 490,414
Fund balances - beginning	<u>2,153,235</u>
Fund balances - ending	<u><u>\$ 2,643,649</u></u>
Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:	
Net change in fund balances - total governmental funds - per above	\$ 490,414
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 depreciation exceeded capital outlays in the current period.	
Capital asset additions	\$ 381,804
Depreciation expense	<u>(604,336)</u> (222,532)
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	(3,086,031)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.	
(Increase) decrease in compensated absences	\$ 9,247
(Increase) decrease in net OPEB obligation	(87,988)
Change in net pension liability	2,362,259
Change in deferred outflows related to pension payments subsequent to the measurement date	<u>849,411</u> 3,132,929
Change in net position of governmental activities	<u><u>\$ 314,780</u></u>

County of Giles, Virginia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2015

	School Operating Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 150	\$ 150	\$ 566	\$ 416
Charges for services	464,650	464,650	405,912	(58,738)
Miscellaneous	70,136	92,050	130,718	38,668
Recovered costs	225,386	255,540	276,925	21,385
Intergovernmental:				
Local government	6,393,318	6,519,947	6,607,982	88,035
Commonwealth	15,327,003	15,438,183	15,406,592	(31,591)
Federal	1,738,872	1,808,772	1,927,179	118,407
Total revenues	<u>\$ 24,219,515</u>	<u>\$ 24,579,292</u>	<u>\$ 24,755,874</u>	<u>\$ 176,582</u>
EXPENDITURES				
Current:				
Education	\$ 24,369,515	\$ 24,775,629	\$ 24,265,460	\$ 510,169
Total expenditures	<u>\$ 24,369,515</u>	<u>\$ 24,775,629</u>	<u>\$ 24,265,460</u>	<u>\$ 510,169</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (150,000)</u>	<u>\$ (196,337)</u>	<u>\$ 490,414</u>	<u>\$ 686,751</u>
Net change in fund balances	\$ (150,000)	\$ (196,337)	\$ 490,414	\$ 686,751
Fund balances - beginning	150,000	196,337	2,153,235	1,956,898
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,643,649</u>	<u>\$ 2,643,649</u>

Supporting Schedules

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

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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 5,970,410	\$ 5,970,410	\$ 6,162,185	\$ 191,775
Real and personal public service corporation taxes	969,252	969,252	899,775	(69,477)
Personal property taxes	1,845,140	1,845,140	1,970,971	125,831
Mobile home taxes	45,000	45,000	44,578	(422)
Machinery and tools taxes	3,350,100	3,350,100	3,338,742	(11,358)
Merchant's capital	168,000	168,000	180,891	12,891
Common carrier	6,684	6,684	6,135	(549)
Penalties	80,600	80,600	84,359	3,759
Interest	40,000	40,000	51,527	11,527
Total general property taxes	<u>\$ 12,475,186</u>	<u>\$ 12,475,186</u>	<u>\$ 12,739,163</u>	<u>\$ 263,977</u>
Other local taxes:				
Local sales and use taxes	\$ 1,225,785	\$ 1,225,785	\$ 1,498,824	\$ 273,039
Consumers' utility taxes	241,539	241,539	240,975	(564)
Consumption taxes	53,550	53,550	54,168	618
Gross receipts tax	9,128	9,128	14,622	5,494
Motor vehicle licenses	209,122	209,122	206,798	(2,324)
Local tax on deeds	68,000	68,000	54,730	(13,270)
Hotel and motel room taxes	75,000	119,983	84,274	(35,709)
Total other local taxes	<u>\$ 1,882,124</u>	<u>\$ 1,927,107</u>	<u>\$ 2,154,391</u>	<u>\$ 227,284</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 5,000	\$ 5,000	\$ 10,555	\$ 5,555
Land use application fees	43,280	43,280	41,455	(1,825)
Transfer fees	7,900	7,900	571	(7,329)
Variance and rezoning fees	12,540	12,540	10,165	(2,375)
Building permits	43,502	43,502	30,760	(12,742)
Other permits and other licenses	-	-	350	350
Total permits, privilege fees, and regulatory licenses	<u>\$ 112,222</u>	<u>\$ 112,222</u>	<u>\$ 93,856</u>	<u>\$ (18,366)</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 76,500	\$ 76,500	\$ 37,418	\$ (39,082)
Revenue from use of money and property:				
Revenue from use of money	\$ 115,000	\$ 115,001	\$ 98,215	\$ (16,786)
Revenue from use of property	49,978	54,840	50,708	(4,132)
Total revenue from use of money and property	<u>\$ 164,978</u>	<u>\$ 169,841</u>	<u>\$ 148,923</u>	<u>\$ (20,918)</u>
Charges for services:				
Charges for law enforcement and traffic control	\$ 9,676	\$ 9,472	\$ 7,373	\$ (2,099)
Charges for courthouse maintenance	32,104	32,104	29,978	(2,126)
Charges for processing arrest fee	2,115	2,115	2,347	232
Charges for Commonwealth's Attorney	2,700	2,700	2,646	(54)
Charges for nonconsecutive jail and blood test/dna fees	500	500	438	(62)
Charges for law library	3,000	3,000	1,386	(1,614)

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

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Charges for services: (Continued)				
Charges for copies	\$ 2,100	\$ 2,100	\$ 4,664	\$ 2,564
Charges for courtroom security fee	60,000	138,581	56,166	(82,415)
Charges for PSA billings	52,493	62,236	53,110	(9,126)
Charges for parks and recreation	264,100	268,233	228,378	(39,855)
Charges for US forest patrols	8,250	8,250	6,650	(1,600)
Charges for wellness center fees	176,896	176,896	174,477	(2,419)
Other charges for services	15,590	15,590	11,541	(4,049)
Total charges for services	\$ 629,524	\$ 721,777	\$ 579,154	\$ (142,623)
Miscellaneous revenue:				
Miscellaneous	\$ 374,814	\$ 379,141	\$ 38,211	\$ (340,930)
Recovered costs:				
School resource officer	\$ 279,748	\$ 280,355	\$ 268,100	\$ (12,255)
Health insurance recoveries	186,040	186,040	97,763	(88,277)
Health department and Social Services	157,025	157,025	235,226	78,201
DMV license agent reimbursement	28,787	28,787	29,917	1,130
PSA recovered costs	84,951	84,951	61,609	(23,342)
Other recovered costs	865,309	983,822	560,069	(423,753)
Total recovered costs	\$ 1,601,860	\$ 1,720,980	\$ 1,252,684	\$ (468,296)
Total revenue from local sources	\$ 17,317,208	\$ 17,582,754	\$ 17,043,800	\$ (538,954)
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' tax	\$ 125,000	\$ 125,000	\$ 134,831	\$ 9,831
Mobile home titling tax	15,000	15,000	21,666	6,666
Animal friendly plates	240	240	184	(56)
Motor vehicle rental tax	2,600	2,600	2,328	(272)
State recordation tax	39,500	39,500	30,865	(8,635)
Communications sales taxes	262,098	262,098	252,301	(9,797)
Personal property tax relief funds	1,227,860	1,227,860	1,227,860	-
Total noncategorical aid	\$ 1,672,298	\$ 1,672,298	\$ 1,670,035	\$ (2,263)
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 282,601	\$ 282,601	\$ 283,044	\$ 443
Sheriff	951,387	951,387	957,119	5,732
Commissioner of revenue	111,540	111,540	109,501	(2,039)
Treasurer	100,307	100,307	98,432	(1,875)
Registrar/electoral board	35,000	35,000	35,464	464
Clerk of circuit court	221,600	221,600	228,756	7,156
Total shared expenses	\$ 1,702,435	\$ 1,702,435	\$ 1,712,316	\$ 9,881
Other categorical aid:				
Public assistance and welfare administration	\$ 800,000	\$ 800,000	\$ 927,749	\$ 127,749
State and Local Foster Care	-	-	2,966	2,966
Comprehensive Services Act program	1,070,432	1,070,432	729,483	(340,949)

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

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Other categorical aid: (Continued)				
Litter control grant	\$ 8,033	\$ 17,610	\$ 9,577	\$ (8,033)
Law enforcement block grant	-	-	1,977	1,977
Hazmat revenue	-	-	1,130	1,130
Juvenile justice	8,729	8,729	8,962	233
Two-for-Life	16,503	16,503	16,048	(455)
Asset Forfeiture	-	-	4,433	4,433
Fire programs	27,247	27,247	33,120	5,873
Circuit court records grant	21,744	21,744	630	(21,114)
911 wireless grant	43,330	43,330	40,595	(2,735)
Other categorical aid	200,000	200,000	15,348	(184,652)
Total other categorical aid	\$ 2,196,018	\$ 2,205,595	\$ 1,792,018	\$ (413,577)
Total categorical aid	\$ 3,898,453	\$ 3,908,030	\$ 3,504,334	\$ (403,696)
Total revenue from the Commonwealth	\$ 5,570,751	\$ 5,580,328	\$ 5,174,369	\$ (405,959)
Revenue from the federal government:				
Non-categorical aid:				
Payments in lieu of taxes	\$ 49,524	\$ 49,524	\$ 152,979	\$ 103,455
Categorical aid:				
Public assistance and welfare administration	\$ 1,098,235	\$ 1,098,235	\$ 1,351,215	\$ 252,980
Comprehensive Services Act program	147,059	147,059	147,059	-
Tourism enhancement grant	65,000	65,000	6,945	(58,055)
State and community highway safety grants	10,000	10,000	7,500	(2,500)
Community development block grant	-	-	30,000	30,000
Total categorical aid	\$ 1,320,294	\$ 1,320,294	\$ 1,542,719	\$ 222,425
Total revenue from the federal government	\$ 1,369,818	\$ 1,369,818	\$ 1,695,698	\$ 325,880
Total General Fund	\$ 24,257,777	\$ 24,532,900	\$ 23,913,867	\$ (619,033)
Capital Projects Fund:				
County Capital Improvements Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 10,289	\$ 10,289
Recovered costs:				
Other recovered costs	\$ -	\$ -	\$ 500	\$ 500
Total revenue from local sources	\$ -	\$ -	\$ 10,789	\$ 10,789
Total County Capital Improvements Fund	\$ -	\$ -	\$ 10,789	\$ 10,789
Total Primary Government	\$ 24,257,777	\$ 24,532,900	\$ 23,924,656	\$ (608,244)

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

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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 314	\$ 314
Revenue from the use of property	150	150	252	102
Total revenue from use of money and property	\$ 150	\$ 150	\$ 566	\$ 416
Charges for services:				
Charges for education	\$ 7,500	\$ 7,500	\$ 8,860	\$ 1,360
Cafeteria sales	450,000	450,000	397,052	(52,948)
Transportation of pupils	650	650	-	(650)
Other charges for services	6,500	6,500	-	(6,500)
Total charges for services	\$ 464,650	\$ 464,650	\$ 405,912	\$ (58,738)
Miscellaneous revenue:				
Miscellaneous	\$ 70,136	\$ 92,050	\$ 130,718	\$ 38,668
Recovered costs:				
Rebates and refunds	\$ 225,386	\$ 255,540	\$ 276,925	\$ 21,385
Total revenue from local sources	\$ 760,322	\$ 812,390	\$ 814,121	\$ 1,731
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Giles, Virginia	\$ 6,393,318	\$ 6,519,947	\$ 6,607,982	\$ 88,035
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 2,605,917	\$ 2,605,917	\$ 2,637,203	\$ 31,286
Basic school aid	7,876,268	7,876,268	7,827,100	(49,168)
Remedial summer education	19,638	19,638	24,117	4,479
Regular foster care	70,210	70,210	5,764	(64,446)
Gifted and talented	81,851	81,851	81,464	(387)
Remedial education	245,554	245,554	244,392	(1,162)
School food	7,333	7,333	16,218	8,885
Special education	1,213,836	1,213,836	1,208,094	(5,742)
Textbook payment	167,569	167,569	166,776	(793)
Vocational education - occupational/technology	-	-	47,476	47,476
Vocational standards of quality payments	355,269	355,269	353,588	(1,681)
Vocational adult education	61,813	61,813	21,840	(39,973)
Social security fringe benefits	506,781	506,781	504,383	(2,398)
Retirement fringe benefits	1,032,718	1,032,718	1,027,833	(4,885)
Group life fringe benefits	31,347	31,347	31,199	(148)
Early reading intervention	56,542	56,542	67,850	11,308
Homebound education	14,428	14,428	11,361	(3,067)
Virginia preschool initiative	98,435	98,435	98,435	-
Primary class size	285,324	285,324	284,237	(1,087)
Technology	2,600	2,600	2,685	85
Standards of Learning algebra readiness	37,096	37,096	32,572	(4,524)

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

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Vocational education - equipment	\$ 4,500	\$ 4,500	\$ 4,964	\$ 464
E-rate	60,000	93,121	115,282	22,161
Special education - foster children	-	-	30,313	30,313
At risk payments	201,172	201,172	200,235	(937)
GED prep program	7,859	7,859	7,859	-
English as a second language	-	-	3,999	3,999
VPSA technology grants	180,000	258,059	250,790	(7,269)
Other state funds	102,943	102,943	98,563	(4,380)
Total categorical aid	<u>\$ 15,327,003</u>	<u>\$ 15,438,183</u>	<u>\$ 15,406,592</u>	<u>\$ (31,591)</u>
Total revenue from the Commonwealth	<u>\$ 15,327,003</u>	<u>\$ 15,438,183</u>	<u>\$ 15,406,592</u>	<u>\$ (31,591)</u>
Revenue from the federal government:				
Categorical aid:				
Literacy challenge grant	\$ 8,000	\$ 8,000	\$ -	\$ (8,000)
Title I	494,000	494,000	462,343	(31,657)
Title VI-B, special education flow-through	490,000	490,000	573,334	83,334
Vocational education	44,000	44,000	37,908	(6,092)
Title II	123,000	123,000	109,730	(13,270)
Special Education - preschool	14,783	14,783	12,375	(2,408)
National school lunch program	425,000	425,000	494,623	69,623
School breakfast program	126,508	126,508	152,243	25,735
Forest reserve payments	13,581	83,481	84,623	1,142
Total categorical aid	<u>\$ 1,738,872</u>	<u>\$ 1,808,772</u>	<u>\$ 1,927,179</u>	<u>\$ 118,407</u>
Total revenue from the federal government	<u>\$ 1,738,872</u>	<u>\$ 1,808,772</u>	<u>\$ 1,927,179</u>	<u>\$ 118,407</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 24,219,515</u>	<u>\$ 24,579,292</u>	<u>\$ 24,755,874</u>	<u>\$ 176,582</u>

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

Schedule 2
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 140,310	\$ 167,756	\$ 161,750	\$ 6,006
General and financial administration:				
County administrator	\$ 331,025	\$ 489,368	\$ 497,679	\$ (8,311)
Legal services	50,000	55,300	53,433	1,867
Commissioner of revenue	315,144	315,144	315,163	(19)
Assessor	300,000	150,485	150,485	-
Land use	9,231	9,231	5,024	4,207
Treasurer	363,560	546,657	502,084	44,573
PSA billing and collection	46,933	24,292	13,440	10,852
Department of motor vehicles	56,259	16,172	11,038	5,134
Total general and financial administration	\$ 1,472,152	\$ 1,606,649	\$ 1,548,346	\$ 58,303
Board of elections:				
Registrar	\$ 154,069	\$ 154,069	\$ 145,078	\$ 8,991
Total general government administration	\$ 1,766,531	\$ 1,928,474	\$ 1,855,174	\$ 73,300
Judicial administration:				
Courts:				
Circuit court	\$ 20,954	\$ 20,954	\$ 21,184	\$ (230)
General district court	6,395	6,395	5,584	811
Magistrate	-	-	300	(300)
Juvenile and domestic court	23,802	23,802	9,220	14,582
Clerk of the circuit court	365,992	365,992	361,110	4,882
Law library	4,000	4,268	4,630	(362)
Total courts	\$ 421,143	\$ 421,411	\$ 402,028	\$ 19,383
Commonwealth's attorney:				
Commonwealth's attorney	\$ 354,547	\$ 359,133	\$ 363,023	\$ (3,890)
Total judicial administration	\$ 775,690	\$ 780,544	\$ 765,051	\$ 15,493
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 2,153,586	\$ 2,237,034	\$ 2,205,328	\$ 31,706
Criminal justice training	20,400	20,400	39,950	(19,550)
Total law enforcement and traffic control	\$ 2,173,986	\$ 2,257,434	\$ 2,245,278	\$ 12,156
Fire and rescue services:				
Fire and rescue	\$ 167,185	\$ 219,647	\$ 224,510	\$ (4,863)
GIS system development	117,290	116,382	111,195	5,187
Ambulance service	313,292	313,292	286,332	26,960
Total fire and rescue services	\$ 597,767	\$ 649,321	\$ 622,037	\$ 27,284
Correction and detention:				
New River Valley Regional Jail	\$ 955,029	\$ 1,109,852	\$ 1,108,358	\$ 1,494
NRV juvenile detention	130,713	130,854	130,854	-
Total correction and detention	\$ 1,085,742	\$ 1,240,706	\$ 1,239,212	\$ 1,494

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

Schedule 2
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public Safety: (Continued)				
Inspections:				
Building official	\$ 270,538	\$ 243,051	\$ 226,461	\$ 16,590
Other protection:				
Animal control	\$ 147,463	\$ 203,700	\$ 197,074	\$ 6,626
Medical examiner	500	300	300	-
Emergency services	72,628	72,926	579	72,347
Inmate work program	93,273	188,786	179,916	8,870
Haz-mat services	4,092	4,092	3,923	169
School Resource Officer	221,909	256,550	254,370	2,180
US forest service	6,306	11,168	3,505	7,663
Law enforcement grants	10,765	765	2,233	(1,468)
Total other protection	\$ 556,936	\$ 738,287	\$ 641,900	\$ 96,387
Total public safety	\$ 4,684,969	\$ 5,128,799	\$ 4,974,888	\$ 153,911
Public works:				
Sanitation and waste removal:				
Landfill monitoring	\$ 60,400	\$ 43,400	\$ 41,181	\$ 2,219
Weed control	3,000	3,000	3,047	(47)
Total sanitation and waste removal	\$ 63,400	\$ 46,400	\$ 44,228	\$ 2,172
Maintenance of general buildings and grounds:				
General properties	\$ 539,542	\$ 686,025	\$ 631,732	\$ 54,293
Total public works	\$ 602,942	\$ 732,425	\$ 675,960	\$ 56,465
Health and welfare:				
Health:				
Supplement of local health department	\$ 123,500	\$ 123,500	\$ 123,500	\$ -
Mental health and mental retardation:				
Community services board	\$ 55,994	\$ 52,994	\$ 52,992	\$ 2
Welfare:				
Comprehensive services	\$ 1,710,887	\$ 1,710,887	\$ 1,336,490	\$ 374,397
Welfare administration and public assistance	2,204,153	2,204,153	2,680,369	(476,216)
Fairview home	18,316	18,316	18,316	-
NRVSS nutrition program	5,900	5,900	5,349	551
NRV disability services board	1,818	1,818	1,818	-
New River community action	14,364	14,364	14,364	-
Women's resource center	5,465	5,465	5,465	-
Free clinic of the NRV, Inc.	8,000	8,000	8,000	-
Area agency on aging	7,690	7,690	7,690	-
Senior center	73,563	75,325	72,921	2,404
Literacy volunteers of America	550	550	550	-
NRV cares	250	250	262	(12)
Total welfare	\$ 4,050,956	\$ 4,052,718	\$ 4,151,594	\$ (98,876)
Total health and welfare	\$ 4,230,450	\$ 4,229,212	\$ 4,328,086	\$ (98,874)

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

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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Education:				
Educational costs:				
Contributions to Community College	\$ -	\$ 9,478	\$ 84,478	\$ (75,000)
Contribution to County School Board	6,393,318	6,519,947	6,527,982	(8,035)
Total education	<u>\$ 6,393,318</u>	<u>\$ 6,529,425</u>	<u>\$ 6,612,460</u>	<u>\$ (83,035)</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Swimming pool	\$ 730	\$ 2,803	\$ 2,403	\$ 400
Golf course	186,831	191,456	190,454	1,002
Castle Rock operations	75,834	139,150	138,315	835
Wellness center	177,580	215,713	206,898	8,815
Boat ramp	-	14,392	14,392	-
Other recreation and cultural enrichment	76,793	83,096	80,491	2,605
Total parks and recreation	<u>\$ 517,768</u>	<u>\$ 646,610</u>	<u>\$ 632,953</u>	<u>\$ 13,657</u>
Library:				
Contribution to county library	\$ 29,250	\$ 29,250	\$ 29,250	\$ -
Total parks, recreation, and cultural	<u>\$ 547,018</u>	<u>\$ 675,860</u>	<u>\$ 662,203</u>	<u>\$ 13,657</u>
Community development:				
Planning and community development:				
County planner	\$ 77,159	\$ 84,844	\$ 84,565	\$ 279
Planning commission	20,026	30,976	26,983	3,993
Contribution to IDA	229,320	232,814	481,345	(248,531)
Tourism	107,744	152,728	122,740	29,988
Other community development	228,309	218,831	98,729	120,102
Total planning and community development	<u>\$ 663,096</u>	<u>\$ 720,731</u>	<u>\$ 814,362</u>	<u>\$ (93,631)</u>
Environmental management:				
Contributions to soil and water districts	\$ 9,100	\$ 9,100	\$ 9,100	\$ -
Cooperative extension program:				
Extension office	\$ 67,681	\$ 65,018	\$ 59,088	\$ 5,930
Total community development	<u>\$ 739,877</u>	<u>\$ 794,849</u>	<u>\$ 882,550</u>	<u>\$ (87,701)</u>
Nondepartmental:				
Fringe benefits and fuel charges	\$ 632,853	\$ 633,529	\$ 571,052	\$ 62,477
Debt service:				
Principal retirement	\$ 1,162,491	\$ 1,067,612	\$ 1,362,820	\$ (295,208)
Interest and other fiscal charges	389,009	357,259	456,046	(98,787)
Total debt service	<u>\$ 1,551,500</u>	<u>\$ 1,424,871</u>	<u>\$ 1,818,866</u>	<u>\$ (393,995)</u>
Total General Fund	<u>\$ 21,925,148</u>	<u>\$ 22,857,988</u>	<u>\$ 23,146,290</u>	<u>\$ (288,302)</u>

County of Giles, Virginia
Schedule of Expenditures - Budget and Actual
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For the Year Ended June 30, 2015

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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Capital Projects Fund:				
County Capital Improvements Fund:				
General and financial administration:				
Information Technology	\$ 10,000	\$ 11,383	\$ 117,881	\$ (106,498)
Total general and financial administration	\$ 10,000	\$ 11,383	\$ 117,881	\$ (106,498)
Public Safety:				
Radio system	\$ -	\$ -	\$ 4	\$ (4)
Public Works:				
County wide signage	\$ 150,000	\$ 135,608	\$ -	\$ 135,608
Telephone system	-	100,000	88,125	11,875
Public safety building	3,705,000	3,705,000	193,962	3,511,038
Total Public Works	\$ 3,855,000	\$ 3,940,608	\$ 282,087	\$ 3,658,521
Education:				
Educational costs:				
Contribution to County School Board	\$ -	\$ -	\$ 80,000	\$ (80,000)
Total Education	\$ -	\$ -	\$ 80,000	\$ (80,000)
Community development:				
Planning and community development:				
Economic development	\$ 5,000	\$ 5,000	\$ 4,798	\$ 202
Contribution to IDA	-	-	32,232	(32,232)
Bluff City Landing	100,000	100,000	15,514	84,486
Whitt River Bend Park Landing	100,000	100,000	4,439	95,561
DGIF boat ramps	-	-	25,900	(25,900)
Total community development	\$ 205,000	\$ 205,000	\$ 82,883	\$ 122,117
Debt service:				
Principal retirement	\$ 358,224	\$ 358,224	\$ 462,427	\$ (104,203)
Interest and other fiscal charges	458,197	458,197	591,482	(133,285)
Total debt service	\$ 816,421	\$ 816,421	\$ 1,053,909	\$ (237,488)
Total County Capital Improvements Fund	\$ 4,886,421	\$ 4,973,412	\$ 1,696,764	\$ 3,276,648
Total Primary Government	\$ 26,811,569	\$ 27,831,400	\$ 24,843,054	\$ 2,988,346

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

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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Education:				
Instruction costs:				
Instruction costs	\$ 16,092,407	\$ 16,962,204	\$ 16,824,447	\$ 137,757
Operating costs:				
Attendance and health services	\$ 951,955	\$ 1,275,652	\$ 1,204,207	\$ 71,445
Pupil transportation	1,181,585	1,292,131	1,168,390	123,741
Operation and maintenance of school plant	2,459,390	2,857,598	2,565,834	291,764
Facilities	400,000	179,196	327,072	(147,876)
Technology	1,276,246	1,204,748	1,171,269	33,479
Total operating costs	\$ 6,269,176	\$ 6,809,325	\$ 6,436,772	\$ 372,553
School food services:				
Administration of school food program	\$ 2,007,932	\$ 1,004,100	\$ 1,004,241	\$ (141)
Total Discretely Presented Component Unit - School Board	\$ 24,369,515	\$ 24,775,629	\$ 24,265,460	\$ 510,169

Other Statistical Information

Table 1

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Development (1)	Non-departmental	Interest on Long-Term Debt	Water Department	Total
2014-15	\$ 1,515,689	\$ 775,707	\$ 4,492,726	\$ 913,182	\$ 4,327,725	\$ 8,451,877	\$ 616,476	\$ 1,068,553	\$ -	\$ 924,761	\$ 1,648,454	\$ 24,735,150
2013-14	1,697,198	810,317	4,662,815	897,488	4,107,908	7,837,326	742,703	933,299	-	961,132	1,737,460	24,387,646
2012-13	1,040,876	704,273	5,055,111	595,826	3,742,017	7,869,352	741,059	803,350	-	1,338,211	1,791,446	23,681,521
2011-12	1,465,212	749,059	3,858,811	433,301	3,815,866	6,418,750	764,944	427,820	-	1,109,865	1,633,876	20,677,504
2010-11	1,612,399	456,903	3,937,646	382,840	3,467,252	6,117,468	1,072,522	346,131	-	1,217,615	1,543,650	20,154,426
2009-10	1,557,685	705,573	3,764,801	438,175	3,069,055	6,222,250	861,434	5,036,422	-	1,261,108	1,530,169	24,446,672
2008-09	1,602,292	703,829	3,856,862	476,772	3,058,974	5,765,131	839,706	323,454	-	834,439	1,595,807	19,057,266
2007-08	1,534,269	672,928	3,584,867	549,638	2,874,710	6,903,898	813,781	1,571,574	-	807,477	1,137,390	20,450,532
2006-07	1,308,071	592,293	3,556,881	966,677	2,622,010	5,671,104	896,860	343,283	-	862,168	1,065,923	17,885,270
2005-06	1,135,553	518,247	3,305,443	415,498	2,645,705	6,330,274	758,113	287,666	18,787	813,501	957,366	17,186,153
2004-05	1,278,949	494,331	3,053,312	309,003	1,958,813	6,509,380	664,241	704,970	50,028	878,240	789,851	16,691,118

(1) FY 2009-10 includes a contribution of \$4,375,511 to the Giles Industrial Development Authority in support of the hospital infrastructure projects.

Table 2

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

Fiscal Year	PROGRAM REVENUES				GENERAL REVENUES								Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Unrestricted Investment Earnings	Miscellaneous	Contributions Not Restricted to Specific Programs	Gain on Sale of Assets		
2014-15	\$ 1,318,822	\$ 5,047,053	\$ 50,000	\$ 12,826,895	\$ 2,154,391	\$ -	\$ -	\$ 161,700	\$ 38,211	\$ 1,823,014	\$ -	\$ 23,420,086	
2013-14	1,231,925	5,001,133	54,727	12,476,520	1,956,894	-	-	170,803	43,716	1,767,544	-	22,703,262	
2012-13	1,207,568	4,493,402	113,826	12,073,980	1,919,216	-	-	237,267	47,256	1,875,527	14,027	21,982,069	
2011-12	1,326,038	4,539,944	170,824	11,877,251	1,746,202	-	-	275,397	24,655	1,695,160	-	21,655,471	
2010-11	1,158,123	4,203,780	873,251	11,722,260	1,749,017	-	-	266,669	462,209	1,689,126	-	22,124,435	
2009-10	1,186,168	4,285,122	496,558	11,187,893	1,664,585	-	-	317,919	35,136	1,585,229	-	20,758,610	
2008-09	1,285,528	4,388,647	221,660	11,050,675	1,912,001	-	-	372,250	994,633	1,585,670	-	21,811,064	
2007-08	1,052,921	4,295,126	1,848,937	10,606,003	2,044,328	-	-	308,607	37,991	1,478,463	-	21,672,376	
2006-07	981,279	4,884,180	51,714	10,266,359	1,723,520	-	-	286,779	20,244	1,664,325	-	19,878,400	
2005-06	909,805	3,736,766	274,568	9,499,802	1,859,770	-	-	263,587	23,245	1,595,836	-	18,163,379	
2004-05	749,708	2,959,790	342,440	9,380,467	1,850,521	72,326	26,428	158,976	50,507	1,571,776	-	17,162,939	

Table 3

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education (2)	Parks, Recreation, and Cultural	Community Development (3)	Non-departmental	Debt Service	Total
2014-15	\$ 1,973,055	\$ 765,051	\$ 4,974,892	\$ 958,047	\$ 4,328,086	\$ 24,349,938	\$ 662,203	\$ 965,433	\$ 571,052	\$ 2,872,775	\$ 42,420,532
2013-14	1,715,246	751,023	4,859,461	764,931	4,183,873	24,392,929	736,620	847,845	678,231	2,656,697	41,586,856
2012-13 (5)	1,412,456	752,773	5,562,669	599,672	3,851,966	23,806,787	704,999	721,978	880,871	2,620,748	40,914,919
2011-12	1,489,763	706,626	4,011,209	421,212	3,865,490	22,398,858	743,801	344,123	743,593	2,912,690	37,637,365
2010-11 (4)	1,436,110	726,488	4,153,468	420,421	3,517,234	21,974,561	744,911	262,884	696,032	2,214,272	36,146,381
2009-10	1,520,756	702,042	3,833,304	559,201	3,269,547	24,034,314	818,511	4,961,680	406,302	2,749,942	42,855,599
2008-09	1,597,862	695,441	3,849,643	441,893	3,058,680	24,734,563	795,081	257,520	352,012	2,053,898	37,836,593
2007-08	1,606,123	663,594	3,573,864	488,472	2,869,119	23,755,018	790,006	1,254,203	59,637	1,999,896	37,059,932
2006-07	1,331,494	637,024	3,797,384	971,197	2,611,276	22,508,015	872,465	288,154	17,751	2,528,409	35,563,169
2005-06	1,223,288	528,047	3,431,264	420,545	2,752,848	21,107,344	721,535	297,002	18,787	2,187,188	32,687,848
2004-05	1,245,466	494,331	3,218,254	344,450	1,971,352	20,416,339	626,606	710,306	50,028	1,928,747	31,005,879

(1) Includes General, Special Revenue, and Capital Projects funds of the Primary Government and its Discretely Presented Component Unit - School Board. Excludes non-operating capital project expenditures.

(2) Excludes contribution from Primary Government to Discretely Presented Component Unit - School Board and contribution from School Board to the Capital Improvements Fund.

(3) FY 2009-10 includes a contribution of \$4,375,511 to the Giles Industrial Development Authority in support of the hospital infrastructure projects.

(4) Debt service excludes refunded bond anticipation note of \$13,500,000.

(5) Debt service excludes bond refundings of \$15,659,156.

Table 4

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

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property			Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental (2)	Total
					Property							
2014-15	\$ 12,739,163	\$ 2,154,391	\$ 93,856	\$ 37,418	\$ 159,778	\$ 985,066	\$ 168,929	\$ 1,530,109	\$ 24,203,838	\$ 42,072,548		
2013-14	12,485,742	1,956,894	31,809	62,616	167,140	1,039,479	103,345	1,326,136	23,700,159	40,873,320		
2012-13	12,105,056	1,919,216	50,540	105,492	236,113	1,059,533	93,685	1,529,023	23,403,966	40,502,624		
2011-12	11,857,303	1,746,202	42,986	31,194	275,735	1,150,905	123,361	1,174,262	23,110,381	39,512,329		
2010-11	11,807,023	1,749,017	26,963	26,837	267,339	1,170,525	655,374	1,147,560	23,095,492	39,946,130		
2009-10	11,041,741	1,664,585	31,477	29,833	333,007	1,241,049	119,031	1,102,753	24,099,204	39,662,680		
2008-09	11,102,097	1,912,001	76,669	20,192	339,722	1,331,462	1,444,646	433,831	24,797,393	41,458,013		
2007-08	10,697,086	2,044,328	45,065	24,264	308,607	1,189,193	121,344	391,456	23,060,256	37,881,599		
2006-07	10,189,093	1,723,520	54,433	28,553	287,670	1,232,174	227,636	177,498	23,980,577	37,901,154		
2005-06	9,745,745	1,859,770	50,460	31,181	264,206	1,180,146	230,459	245,886	20,266,978	33,874,831		
2004-05	9,199,339	1,850,521	72,326	26,428	159,606	1,042,762	198,805	201,823	18,787,643	31,539,253		

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

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

Table 5

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

Fiscal Year	Total Tax Levy (1,2)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1,2)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1,3)	Percent of Delinquent Taxes to Tax Levy
2014-15	\$ 13,844,229	\$ 13,312,457	96.16%	\$ 518,680	13,831,137	99.91%	\$ 859,505	6.21%
2013-14	13,579,232	13,079,642	96.32%	497,647	13,577,289	99.99%	816,733	6.01%
2012-13	13,140,195	12,479,020	94.97%	714,599	13,193,619	100.41%	763,561	5.81%
2011-12	12,934,608	12,404,021	95.90%	946,344	13,350,365	103.21%	835,655	6.46%
2010-11	12,821,899	12,387,707	96.61%	467,536	12,855,243	100.26%	867,642	6.77%
2009-10	12,233,089	11,860,088	96.95%	257,289	12,117,377	99.05%	907,800	7.42%
2008-09	12,204,375	11,999,984	98.33%	179,820	12,179,804	99.80%	780,033	6.39%
2007-08	11,849,315	11,598,742	97.89%	183,512	11,782,254	99.43%	846,963	7.15%
2006-07	11,390,695	11,030,334	96.84%	254,477	11,284,811	99.07%	713,456	6.26%
2005-06	10,829,309	10,599,412	97.88%	200,067	10,799,479	99.72%	810,565	7.48%
2004-05	10,199,386	9,970,670	97.76%	230,567	10,201,237	100.02%	683,140	6.70%

(1) Exclusive of penalties and interest.

(2) Includes amounts paid under the Personal Property Tax Relief Act.

(3) Amounts have not been reduced for taxes deemed uncollectible under audit.

Table 6

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

Fiscal Year	Real Estate (1)	Personal Property and Mobile Homes (1)	Machinery and Tools	Public Utilities (2)	Merchants Capital	Common Carrier	Total
2014-15	\$ 1,066,615,300	\$ 178,489,346	\$ 330,568,526	\$ 158,033,441	\$ 22,361,237	\$ 607,475	\$ 1,756,675,325
2013-14	1,074,270,400	177,245,568	331,472,131	177,534,468	21,314,565	661,782	1,782,498,914
2012-13	1,067,749,700	172,917,073	310,297,932	179,625,302	20,571,130	703,448	1,751,864,585
2011-12	1,059,889,900	163,705,613	310,267,438	171,001,017	19,974,892	1,638,533	1,726,477,393
2010-11	1,056,729,200	161,035,270	304,393,326	187,241,026	19,526,928	3,014,800	1,731,940,550
2009-10	1,052,823,700	149,667,307	297,610,968	179,729,561	20,849,657	-	1,700,681,193
2008-09	1,049,284,251	165,541,200	279,614,150	132,446,151	22,641,189	-	1,649,526,941
2007-08	1,026,272,400	160,653,821	266,799,376	136,065,449	20,388,269	-	1,610,179,315
2006-07	1,017,262,300	161,819,004	245,025,208	132,978,340	19,756,981	-	1,576,841,833
2005-06	823,399,650	153,098,989	244,180,466	143,721,688	18,890,372	-	1,383,291,165
2004-05	601,714,100	144,669,995	241,355,915	112,196,011	18,773,208	-	1,118,709,229

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

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

Table 7

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

Fiscal Year	Real Estate (2)	Personal Property	Machinery and Tools	Merchant's Capital	Common Carrier
2014-15	\$ 0.61	\$ 1.91	\$ 1.01	\$ 0.81	\$ 1.01
2013-14	0.54/0.56	1.91	1.01	0.81	1.01
2012-13	0.54	1.91	1.01	0.81	1.01
2011-12	0.54	1.91	1.01	0.81	1.01
2010-11	0.54	1.91	1.01	0.81	1.01
2009-10	0.52/0.54	1.89	0.99	0.79	-
2008-09	0.52	1.89	0.99	0.79	-
2007-08	0.63	1.89	0.99	0.79	-
2006-07	0.63	1.85	0.95	0.75	-
2005-06	0.59	1.85	0.95	0.75	-
2004-05	0.72	1.85	0.90	0.75	-

(1) Per \$100 of assessed value.

(2) Mobile home tax rates are the same as the real estate rate.

Table 8

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

Fiscal Year	Population (1)	Assessed Value (in thousands) (2)	Gross and Net Bonded Debt (3)	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2013-14	17,286	\$ 1,756,675	\$ 23,368,877	1.33%	\$ 1,352
2013-14	17,286	1,782,499	25,151,143	1.41%	1,455
2012-13	17,286	1,751,865	25,183,752	1.44%	1,457
2011-12	17,286	1,726,477	26,182,991	1.52%	1,515
2010-11	17,286	1,731,941	27,931,389	1.61%	1,616
2009-10	16,657	1,700,681	29,073,317	1.71%	1,745
2008-09	16,657	1,649,527	16,791,312	1.02%	1,008
2007-08	16,657	1,610,179	14,694,109	0.91%	882
2006-07	16,657	1,576,842	15,782,580	1.00%	948
2005-06	16,657	1,383,291	17,031,551	1.23%	1,022
2004-05	16,657	1,118,709	16,592,150	1.48%	996

(1) Center for Public Service at the University of Virginia.

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

(3) Includes all long-term general obligation bonds and lease revenue bonds of the Primary Government-Governmental Activities. Excludes landfill closure/post-closure care liability, net opeb obligation, and capital leases of the Primary Government-Governmental Activities and all debt of the Primary Government-Business-type Activities and Component Units.

Table 9

County of Giles, Virginia
Ratio of Annual Debt Service Expenditures for General Bonded
Debt to Total General Governmental Expenditures
Last Ten Fiscal Years

Fiscal Year	Principal (2)	Interest	Total Debt Service	Total General Governmental Expenditures (1)	Ratio of Debt Service to General Governmental Expenditures
2014-15	\$ 1,825,247	\$ 1,047,528	\$ 2,872,775	\$ 42,420,532	6.77%
2013-14	1,594,104	1,028,392	2,622,496	41,586,856	6.31%
2012-13	1,299,525	1,321,223	2,620,748	40,914,919	6.41%
2011-12	1,772,087	1,140,873	2,912,960	37,637,365	7.74%
2010-11	1,255,070	959,202	2,214,272	36,146,381	6.13%
2009-10	1,381,345	1,368,597	2,749,942	42,855,599	6.42%
2008-09	1,215,308	838,590	2,053,898	37,836,593	5.43%
2007-08	1,189,703	810,193	1,999,896	37,059,932	5.40%
2006-07	1,544,893	911,100	2,455,993	35,563,169	6.91%
2005-06	1,256,453	930,735	2,187,188	32,687,848	6.69%
2004-05	963,446	965,301	1,928,747	31,005,879	6.22%

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

(2) See Table 3 for excluded refunding amounts.

COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Supervisors
County of Giles, Virginia
Pearisburg, Virginia

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

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses [2015-001].

Compliance and Other Matters

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

County of Giles, Virginia's Response to Findings

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

Purpose of this Report

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

Robinson, Turner, & Associates

Blacksburg, Virginia
December 30, 2015

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report on Compliance For Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133

To the Board of Supervisors
County of Giles, Virginia
Pearisburg, Virginia

Report on Compliance for Each Major Federal Program

We have audited the County of Giles, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County of Giles, Virginia's major federal programs for the year ended June 30, 2015. County of Giles, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the County of Giles, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County of Giles, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the County of Giles, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control over Compliance

Management of the County of Giles, Virginia is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County of Giles, Virginia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County of Giles, Virginia's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Robinson, Turner, & Associates

Blacksburg, Virginia
December 30, 2015

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

Federal Grantor/ State Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
DEPARTMENT OF AGRICULTURE:			
Pass Through Payments:			
Child Nutrition Cluster:			
<i>State Department of Agriculture:</i>			
Food Distribution-Schools (Note 3)	10.555	Not available	\$ 72,335
<i>Department of Education:</i>			
National School Lunch Program	10.555	40623	420,024
National School Lunch Program Subtotal			<u>492,359</u>
School Breakfast Program	10.553	40591	132,277
Summer Food Service Program for Children	10.559	Not applicable	22,230
<i>Department of Social Services:</i>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010114,0010115, 0040114,0040115	171,393
<i>Department of Education:</i>			
Schools and Roads - Grants to States	10.665	43841	83,481
Total Department of Agriculture			<u>\$ 901,740</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Pass Through Payments:			
<i>Department of Social Services:</i>			
Promoting Safe and Stable Families	93.556	0950113, 0950114	\$ 14,987
Temporary Assistance for Needy Families	93.558	0400114,0400115	175,915
Refugee and Entrant Assistance - State Administered Programs	93.566	0500114,0500115	281
Low-Income Home Energy Assistance	93.568	0600414,0600415	20,329
Child Care and Development Fund Cluster:			
Child Care and Development Block Grant	93.575	0770115	(367)
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760114,0760115	30,916
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900114,0900115	1,281
Foster Care - Title IV-E	93.658	1100114,1100115	331,726
Chafee Education and Training Vouchers Program (ETV)	93.599	9160113, 9160114	2,002
Adoption and Legal Guardianship Incentive Payments	93.603	1130113	1,936
Adoption Assistance	93.659	1120114,1120115	268,837
Social Services Block Grant	93.667	1000114,1000115	278,023
Chafee Foster Care Independence Program	93.674	9150114,9150115	(121)
Children's Health Insurance Program	93.767	0540114,0540115	5,694
Medical Assistance Program	93.778	1200114,1200115	195,442
Total Department of Health and Human Services			<u>\$ 1,326,881</u>
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:			
Pass Through Payments:			
<i>Department of Housing and Community Development:</i>			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	50790	<u>\$ 30,000</u>
DEPARTMENT OF DEFENSE:			
Pass Through Payments:			
<i>Department of Education:</i>			
Payments to States in Lieu of Real Estate Taxes	12.112	42845	<u>\$ 1,142</u>
DEPARTMENT OF EDUCATION:			
Pass Through Payments:			
<i>Department of Education:</i>			
Title I Grants to Local Educational Agencies	84.010	42901	\$ 462,343
Special Education Cluster (IDEA):			
Special Education-Grants to States	84.027	43071	573,334
Special Education-Preschool Grants	84.173	62521	12,375
Career and Technical Education: Basic Grants to States	84.048	61095, 61159	37,908

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

Federal Grantor/ State Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
DEPARTMENT OF EDUCATION: (Continued)			
Pass Through Payments: (Continued)			
<i>Department of Education: (Continued)</i>			
Improving Teacher Quality State Grants	84.367	61480	<u>109,730</u>
Total Department of Education			<u>\$ 1,195,690</u>
DEPARTMENT OF TRANSPORTATION:			
Pass Through Payments:			
<i>Department of Motor Vehicles:</i>			
State and Community Highway Safety	20.600	SC-2014-54228-5476 AL-2014-54235-5483 SC-2015-55203-5942	<u>\$ 7,500</u>
APPALACHIAN REGIONAL COMMISSION:			
Direct Payments:			
Appalachian Area Development	23.002	Not applicable	<u>\$ 6,945</u>
Total Expenditures of Federal Awards			<u><u>\$ 3,469,898</u></u>

Notes to Schedule of Expenditures of Federal Awards:

Note 1 -- Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of County of Giles, Virginia under programs of the federal government for the year ended June 30, 2015. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-profit Organizations*. Because the Schedule presents only a selected portion of the operations of County of Giles, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of County of Giles, Virginia.

Note 2 -- Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

Note 3 -- Food Distribution

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2015, Giles County, Virginia had food commodities totaling \$3,934 in inventory.

Note 4 -- Relationship to the Financial Statements:

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:	
General Fund	\$ 1,695,698
Less: Payments in lieu of taxes	<u>(152,979)</u>
Total primary government	<u>\$ 1,542,719</u>
Component Units:	
School Board	<u>\$ 1,927,179</u>
Total Federal Expenditures per Basic Financial Statements	<u>\$ 3,469,898</u>
Federal expenditures per the Schedule of Expenditures of Federal Awards	<u><u>\$ 3,469,898</u></u>

County of Giles, Virginia

Schedule of Findings and Questioned Costs
Year Ended June 30, 2015

Section I - Summary of Auditors' Results

Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)?	No

Identification of major programs:

CFDA #	Name of Federal Program or Cluster
10.553/10.555/10.559	Child Nutrition Cluster
84.010	Title I Grants to Local Educational Agencies
84.027/84.173	Special Education Cluster (IDEA)
93.667	Social Services Block Grant

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

County of Giles, Virginia

Schedule of Findings and Questioned Costs
Year Ended June 30, 2015

Section II - Financial Statement Findings

 2015-001

Criteria:	Per Statement of Auditing Standards 115 (SAS 115), identification of a material adjustment to the financial statements that was not detected by the entity's internal controls indicates that a material weakness exists.
Condition:	The financial statements, as presented for audit, did not contain all necessary adjustments to comply with generally accepted principles (GAAP). As such, the auditor proposed adjustments that were material to the financial statements.
Cause of Condition:	The County does not have proper controls in place to detect and correct misstatements in closing their year end financial statements.
Effect of Condition:	There is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal controls over financial reporting.
Recommendation:	The County should review the auditors' proposed audit adjustments for 2015 and develop a plan to ensure that trial balances and related schedules are presented accurately for audit.
Management's Response:	The County will review the auditors' proposed audit adjustments for 2015 and will develop a plan of action to ensure that all adjusting entries are made prior to final audit fieldwork next year.

Section III - Federal Award Findings and Questioned Costs

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

Section IV - Status of Prior Audit Findings and Questioned Costs

No federal findings or questioned costs in prior year.