

COUNTY OF GILES, VIRGINIA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

COUNTY OF GILES, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2018

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INTRODUCTORY SECTION

COUNTY OF GILES, VIRGINIA

BOARD OF SUPERVISORS

Richard McCoy, Vice Chairman	Jeffery Morris, Chair	Paul “Chappy” Baker
Larry Jay Williams		John C. Lawson, Jr.

COUNTY SCHOOL BOARD

Stephen M. Steele, Vice Chairman	Marion C. Ballard, Chair	
Mark A. Wilburn		Melissa R. Guynn
	Amanda Tickle, Clerk	Phillip A. Pennington

SOCIAL SERVICES BOARD

Jeffery Morris, Vice Chairman	Nancy Rader, Chair	Gina Franklin
Larry Greene		Gregory Lee
Lester Tickle		Tanya Perdue, 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	W. Morgan Millirons
Superintendent of Schools	Dr. Terry Arbogast, II
Director of Social Services	Sherri Nipper-Williams
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, 2018, 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, 2018, 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 23 to the financial statements, in 2018, the County adopted new accounting guidance, GASB Statement Nos. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and 85 *Omnibus 2017*. Our opinion is not modified with respect to this matter.

Restatement of Beginning Balances

As described in Note 23 to the financial statements, in 2018, the County restated beginning balances to reflect the requirements of GASB Statement No. 75. 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 103 and 104-120 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.

Supplementary and 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The 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 18, 2018, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of County of Giles, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of Giles, Virginia's internal control over financial reporting and compliance.

Prolinea, Fawcett, & Associates

Blacksburg, Virginia
December 18, 2018

Basic Financial Statements

County of Giles, Virginia
Statement of Net Position
June 30, 2018

	Primary Government			Component	Component
	Governmental	Business-type	Total	Unit	Unit
	<u>Activities</u>	<u>Activities</u>		<u>School Board</u>	<u>IDA</u>
ASSETS					
Cash and cash equivalents	\$ 2,049,587	\$ -	\$ 2,049,587	\$ 2,253,378	\$ 79,378
Cash in custody of others	-	-	-	538,776	-
Receivables (net of allowance for uncollectibles):					
Taxes receivable	3,821,740	-	3,821,740	-	-
Accounts receivable	94,074	134,735	228,809	575	-
Due from other governmental units	1,241,690	-	1,241,690	746,012	12,000
Inventories (Commodities)	-	-	-	44,492	-
Prepaid items	-	-	-	162,681	-
Notes receivable	-	-	-	-	595,755
Inventories (Land and buildings held for resale)	-	-	-	-	1,689,349
Capital assets (net of accumulated depreciation):					
Land	530,530	13,000	543,530	473,652	461,478
Buildings and improvements	18,370,922	-	18,370,922	2,243,879	7,253,690
Machinery and equipment	955,278	184,051	1,139,329	1,214,834	-
Infrastructure	-	11,211,836	11,211,836	-	-
Construction in progress	1,428,548	339,826	1,768,374	-	-
Total assets	\$ 28,492,369	\$ 11,883,448	\$ 40,375,817	\$ 7,678,279	\$ 10,091,650
DEFERRED OUTFLOWS OF RESOURCES					
Pension related items	\$ 851,002	\$ 50,462	\$ 901,464	\$ 2,505,390	\$ 21,503
OPEB related items	32,518	1,942	34,460	221,000	553
Total deferred outflows of resources	\$ 883,520	\$ 52,404	\$ 935,924	\$ 2,726,390	\$ 22,056
LIABILITIES					
Accounts payable	\$ 266,828	\$ 33,795	\$ 300,623	\$ 23,392	\$ 3,316
Reconciled overdraft	-	79,277	79,277	-	-
Retainage payable	149,515	-	149,515	-	-
Accrued payroll	-	-	-	2,229,986	-
Customers' deposits	-	32,300	32,300	-	-
Accrued interest payable	190,633	67,820	258,453	-	38,190
Due within one year	2,213,368	239,659	2,453,027	258,919	206,338
Due in more than one year	26,055,786	7,845,589	33,901,375	27,323,191	5,275,357
Total liabilities	\$ 28,876,130	\$ 8,298,440	\$ 37,174,570	\$ 29,835,488	\$ 5,523,201
DEFERRED INFLOWS OF RESOURCES					
Deferred revenue - property taxes	\$ 3,363,014	\$ -	\$ 3,363,014	\$ -	\$ -
Deferred amount on refunding	-	42,257	42,257	-	3,296
Pension related items	369,161	84,592	453,753	2,534,537	6,566
OPEB related items	74,706	4,069	78,775	305,177	1,274
Total deferred inflows of resources	\$ 3,806,881	\$ 130,918	\$ 3,937,799	\$ 2,839,714	\$ 11,136
NET POSITION					
Net investment in capital assets	\$ (1,787,018)	\$ 3,918,671	\$ 2,131,653	\$ 3,932,365	\$ 2,309,731
Unrestricted	(1,520,104)	(412,177)	(1,932,281)	(26,202,898)	2,269,638
Total Net Position	\$ (3,307,122)	\$ 3,506,494	\$ 199,372	\$ (22,270,533)	\$ 4,579,369

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, 2018

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions		Governmental Activities	Primary Government Business-type Activities		Component Units
			Operating Grants and Contributions	Capital Grants and Contributions		Activities	Total	
PRIMARY GOVERNMENT:								
Governmental activities:								
General government administration	\$ 2,135,564	\$ 58,766	\$ 246,474	\$ -	\$ (1,830,324)	\$ (1,830,324)		
Judicial administration	908,019	21,714	617,964	-	(268,341)	(268,341)		
Public safety	5,008,127	159,811	1,168,258	-	(3,680,058)	(3,680,058)		
Public works	2,036,218	33,737	9,196	-	(1,993,285)	(1,993,285)		
Health and welfare	5,759,377	-	4,435,578	-	(1,323,799)	(1,323,799)		
Education	9,015,261	-	-	-	(9,015,261)	(9,015,261)		
Parks, recreation, and cultural	668,902	380,953	-	-	(287,949)	(287,949)		
Community development	3,139,891	7,571	11,745	336,299	(2,784,276)	(2,784,276)		
Interest on long-term debt	683,365	-	-	-	(683,365)	(683,365)		
Total governmental activities	\$ 29,354,724	\$ 662,552	\$ 6,489,215	\$ 336,299	\$ (21,866,658)	\$ (21,866,658)		
Business-type activities:								
Utility fund	\$ 1,773,159	\$ 754,387	\$ -	\$ 166,133	\$ (852,639)	(852,639)		
Total primary government	\$ 31,127,883	\$ 1,416,939	\$ 6,489,215	\$ 502,432	\$ (21,866,658)	(21,866,658)		
COMPONENT UNITS:								
School Board	\$ 26,860,822	\$ 557,979	\$ 18,227,274	\$ -			\$ (8,075,569)	\$ -
Industrial Development Authority (IDA)	2,651,559	610,196	-	399,679			-	(1,641,684)
Total component units	\$ 29,512,381	\$ 1,168,175	\$ 18,227,274	\$ 399,679			\$ (8,075,569)	\$ (1,641,684)
General revenues:								
General property taxes					\$ 14,912,778	\$ -	\$ 14,912,778	\$ -
Other local taxes:								
Local Sales and use taxes					1,407,476	-	1,407,476	-
Consumers' utility taxes					242,215	-	242,215	-
Consumption taxes					49,661	-	49,661	-
Gross receipts tax					8,268	-	8,268	-
Motor vehicle licenses					203,855	-	203,855	-
Local tax on deeds					74,728	-	74,728	-
Hotel and motel room taxes					122,559	-	122,559	-
Unrestricted revenues from use of money and property					123,490	-	123,490	349
Miscellaneous					528,908	-	528,908	100,740
Contribution from County of Giles, Virginia					-	-	-	8,626,063
Contribution from Giles County IDA					1,351	-	1,351	-
Grants and contributions not restricted to specific programs					1,714,833	-	1,714,833	-
Transfers					(609,015)	609,015	-	-
Total general revenues and transfers					\$ 18,781,107	\$ 609,015	\$ 19,390,122	\$ 8,727,152
Change in net position					\$ (3,085,551)	\$ (243,624)	\$ (3,329,175)	\$ 651,583
Net position - beginning, as restated					(221,571)	3,750,118	3,528,547	(22,922,116)
Net position - ending					\$ (3,307,122)	\$ 3,506,494	\$ 199,372	\$ (22,270,533)
								\$ 4,579,369

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

County of Giles, Virginia
Balance Sheet
Governmental Funds
June 30, 2018

	<u>General</u>	<u>County Capital Improvements</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 811,401	\$ 956,855	\$ 1,768,256
Receivables (net of allowance for uncollectibles):			
Taxes receivable	3,821,740	-	3,821,740
Accounts receivable	94,074	-	94,074
Due from other governmental units	1,195,808	45,882	1,241,690
Total assets	<u>\$ 5,923,023</u>	<u>\$ 1,002,737</u>	<u>\$ 6,925,760</u>
LIABILITIES			
Accounts payable	\$ 168,529	\$ 98,299	\$ 266,828
Retainage payable	-	149,515	149,515
Total liabilities	<u>\$ 168,529</u>	<u>\$ 247,814</u>	<u>\$ 416,343</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	\$ 3,942,538	-	\$ 3,942,538
FUND BALANCES			
Committed			
Capital projects	\$ -	\$ 754,923	\$ 754,923
Unassigned	1,811,956	-	1,811,956
Total fund balances	<u>\$ 1,811,956</u>	<u>\$ 754,923</u>	<u>\$ 2,566,879</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,923,023</u>	<u>\$ 1,002,737</u>	<u>\$ 6,925,760</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, 2018

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	2,566,879
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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		1,428,548	
Buildings and improvements		18,370,922	
Machinery and equipment		955,278	21,285,278

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		579,524
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Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.

281,331

Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.

Pension related items	\$	851,002	
OPEB related items		32,518	883,520

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	\$	(1,540,501)	
Lease revenue bonds		(19,325,989)	
Unamortized bond premium		(1,655,908)	
Capital lease		(400,383)	
Landfill accrued closure/postclosure costs		(46,756)	
Net OPEB liabilities		(1,616,848)	
Compensated absences		(717,319)	
Accrued interest payable		(190,633)	
Net pension liability		(2,965,450)	(28,459,787)

Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.

Pension related items	\$	(369,161)	
OPEB related items		(74,706)	(443,867)

Net position of governmental activities		\$ (3,307,122)
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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, 2018

	County Capital		
	<u>General</u>	<u>Improvements</u>	<u>Total</u>
REVENUES			
General property taxes	\$ 15,023,419	\$ -	\$ 15,023,419
Other local taxes	2,108,762	-	2,108,762
Permits, privilege fees, and regulatory licenses	46,163	-	46,163
Fines and forfeitures	37,391	-	37,391
Revenue from the use of money and property	122,887	603	123,490
Charges for services	578,998	-	578,998
Miscellaneous	528,908	-	528,908
Recovered costs	1,894,097	-	1,894,097
Intergovernmental:			
Local government	-	1,351	1,351
Commonwealth	6,267,290	152,117	6,419,407
Federal	1,936,758	184,182	2,120,940
Total revenues	<u>\$ 28,544,673</u>	<u>\$ 338,253</u>	<u>\$ 28,882,926</u>
EXPENDITURES			
Current:			
General government administration	\$ 2,137,491	\$ -	\$ 2,137,491
Judicial administration	882,239	-	882,239
Public safety	5,383,062	-	5,383,062
Public works	902,164	2,715,092	3,617,256
Health and welfare	5,965,561	-	5,965,561
Education	8,327,397	-	8,327,397
Parks, recreation, and cultural	666,223	-	666,223
Community development	2,449,689	619,479	3,069,168
Nondepartmental	436,263	-	436,263
Debt service:			
Principal retirement	1,101,069	477,775	1,578,844
Interest and other fiscal charges	136,142	636,892	773,034
Total expenditures	<u>\$ 28,387,300</u>	<u>\$ 4,449,238</u>	<u>\$ 32,836,538</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 157,373</u>	<u>\$ (4,110,985)</u>	<u>\$ (3,953,612)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ -	\$ 1,238,574	\$ 1,238,574
Transfers out	(1,847,589)	-	(1,847,589)
Issuance of lease revenue bonds	-	2,163,376	2,163,376
Total other financing sources (uses)	<u>\$ (1,847,589)</u>	<u>\$ 3,401,950</u>	<u>\$ 1,554,361</u>
Net change in fund balances	\$ (1,690,216)	\$ (709,035)	\$ (2,399,251)
Fund balances - beginning	<u>3,502,172</u>	<u>1,463,958</u>	<u>4,966,130</u>
Fund balances - ending	<u>\$ 1,811,956</u>	<u>\$ 754,923</u>	<u>\$ 2,566,879</u>

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

County of Giles, Virginia
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2018

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

Net change in fund balances - total governmental funds \$ (2,399,251)

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	\$ 1,875,512	
Depreciation expense	<u>(2,149,335)</u>	(273,823)

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		(110,641)
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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.

Issuance of lease revenue bond	\$ (2,163,376)	
Payments of principal:		
General obligation bonds	1,002,118	
Lease revenue bonds	383,287	
Capital lease	193,439	
(Increase) decrease in landfill closure and postclosure monitoring costs	<u>(827)</u>	(585,359)

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	\$ 31,216	
Pension expense	(113,036)	
(Increase) decrease in accrued interest payable	(40,436)	
Amortization of bond premium	130,105	
OPEB expense	<u>(5,657)</u>	2,192

Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.

281,331

Change in net position of governmental activities		<u><u>\$ (3,085,551)</u></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, 2018

	Enterprise Fund	Internal Service Fund	Component Unit Industrial
	Utility Fund	Self-health Insurance	Development Authority
ASSETS			
Current assets:			
Cash and cash equivalents	\$ -	\$ 281,331	\$ 79,378
Accounts receivable (net of allowance for uncollectibles)	134,735	-	-
Due from other governmental units	-	-	12,000
Total current assets	<u>\$ 134,735</u>	<u>\$ 281,331</u>	<u>\$ 91,378</u>
Noncurrent assets:			
Lease purchase receivable, net of current portion	\$ -	\$ -	\$ 595,755
Inventories (land and buildings held for resale)	-	-	1,689,349
Capital assets:			
Land	13,000	-	461,478
Construction in progress	339,826	-	-
Utility plant in service	17,003,180	-	-
Buildings and improvements	-	-	9,493,633
Machinery and equipment	603,375	-	-
Accumulated depreciation	(6,210,668)	-	(2,239,943)
Total capital assets	<u>\$ 11,748,713</u>	<u>\$ -</u>	<u>\$ 7,715,168</u>
Total noncurrent assets	<u>\$ 11,748,713</u>	<u>\$ -</u>	<u>\$ 10,000,272</u>
Total assets	<u>\$ 11,883,448</u>	<u>\$ 281,331</u>	<u>\$ 10,091,650</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	\$ 50,462	\$ -	\$ 21,503
OPEB related items	1,942	-	553
Total deferred outflows of resources	<u>\$ 52,404</u>	<u>\$ -</u>	<u>\$ 22,056</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 33,795	\$ -	\$ 3,316
Reconciled overdraft	79,277	-	-
Customer deposits	32,300	-	-
Accrued interest payable	67,820	-	38,190
Compensated absences - current portion	37,097	-	-
Bonds payable - current portion	202,562	-	206,338
Total current liabilities	<u>\$ 452,851</u>	<u>\$ -</u>	<u>\$ 247,844</u>
Noncurrent liabilities:			
Net OPEB liability	\$ 90,414	\$ -	\$ 25,528
Compensated absences - net of current portion	12,366	-	-
Net pension liability	157,586	-	54,026
Bonds payable - net of current portion	7,585,223	-	5,195,803
Total noncurrent liabilities	<u>\$ 7,845,589</u>	<u>\$ -</u>	<u>\$ 5,275,357</u>
Total liabilities	<u>\$ 8,298,440</u>	<u>\$ -</u>	<u>\$ 5,523,201</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related items	\$ 84,592	\$ -	\$ 6,566
OPEB related items	4,069	-	1,274
Deferred amount on refunding	42,257	-	3,296
Total deferred inflows of resources	<u>\$ 130,918</u>	<u>\$ -</u>	<u>\$ 11,136</u>
NET POSITION			
Net investment in capital assets	\$ 3,918,671	\$ -	\$ 2,309,731
Unrestricted	(412,177)	281,331	2,269,638
Total net position	<u>\$ 3,506,494</u>	<u>\$ 281,331</u>	<u>\$ 4,579,369</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, 2018

	Enterprise Fund	Internal Service Fund	Component Unit Industrial
	Utility Fund	Self-health Insurance	Development Authority
OPERATING REVENUES			
Charges for services:			
Water & sewer revenues	\$ 564,220	\$ -	\$ -
Rental of property	-	-	610,196
Penalties	33,267	-	-
Sale of land held as inventory:			
Gross sales price	-	-	87,500
Cost of inventory	-	-	(146,323)
Health insurance contributions	-	281,331	-
Miscellaneous	134,630	-	6,083
Total operating revenues	\$ 732,117	\$ 281,331	\$ 557,456
OPERATING EXPENSES			
Salaries	\$ 355,833	\$ -	\$ 93,338
Fringes	108,895	-	29,282
Contracted services	25,105	-	1,570
Repair and maintenance	56,665	-	9,889
Water purchase	302,947	-	-
Material and supplies	35,659	-	-
Insurance	9,210	-	23,338
Miscellaneous	48,590	-	11,355
Utilities	22,531	-	6,883
Depreciation	551,203	-	250,131
Economic development	-	-	1,978,997
Total operating expenses	\$ 1,516,638	\$ -	\$ 2,404,783
Operating income (loss)	\$ (784,521)	\$ 281,331	\$ (1,847,327)
NONOPERATING REVENUES (EXPENSES)			
Interest income	\$ -	\$ -	\$ 6,411
Connection fees	22,270	-	-
Interest expense	(216,832)	-	(186,602)
Total nonoperating revenues (expenses)	\$ (194,562)	\$ -	\$ (180,191)
Income before contributions and transfers	\$ (979,083)	\$ 281,331	\$ (2,027,518)
Capital contributions and construction grants	166,133	-	399,679
Contribution from primary government	-	-	1,603,911
Contribution to component unit - IDA	(39,689)	-	-
Contribution to primary government	-	-	(1,351)
Transfers in	609,015	-	-
Change in net position	\$ (243,624)	\$ 281,331	\$ (25,279)
Net position - beginning, as restated	3,750,118	-	4,604,648
Net position - ending	\$ 3,506,494	\$ 281,331	\$ 4,579,369

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, 2018

	Enterprise Fund	Internal Service Fund	Component Unit Industrial Development Authority
	Utility Fund	Self-health Insurance	
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 722,724	\$ 281,331	\$ 703,779
Payments to suppliers	(487,558)	-	(2,028,887)
Payments to employees	(469,060)	-	(118,288)
Reconciled overdraft	79,277	\$ -	-
Net cash provided by (used for) operating activities	\$ (154,617)	\$ 281,331	\$ (1,443,396)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	\$ (39,689)	\$ -	\$ (1,351)
Transfers from other funds	609,015	-	1,603,911
Net cash provided by (used for) noncapital financing activities	\$ 569,326	\$ -	\$ 1,602,560
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	\$ (278,001)	\$ -	\$ -
Principal payments on bonds	(50,288)	-	(329,426)
Contributions in aid of construction	166,133	-	387,679
Interest payments	(274,922)	-	(157,853)
Connection fees	22,270	-	-
Net cash provided by (used for) capital and related financing activities	\$ (414,808)	\$ -	\$ (99,600)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	\$ -	\$ -	\$ 6,411
Note receivable payments	-	-	13,403
Net cash provided by (used for) investing activities	\$ -	\$ -	\$ 19,814
Net increase (decrease) in cash and cash equivalents	\$ (99)	\$ 281,331	\$ 79,378
Cash and cash equivalents - beginning	99	-	-
Cash and cash equivalents - ending	\$ -	\$ 281,331	\$ 79,378
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ (784,521)	\$ 281,331	\$ (1,847,327)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation expense	\$ 551,203	\$ -	\$ 250,131
Net book value of assets sold	-	-	146,323
(Increase) decrease in accounts receivable	(11,593)	-	-
(Increase) decrease in deferred outflows of resources	50,725	-	13,488
Increase (decrease) in reconciled overdraft	79,277	-	-
Increase (decrease) in customer deposits	2,200	-	-
Increase (decrease) in accounts payable	13,149	-	3,145
Increase (decrease) in net OPEB liability	(3,409)	-	(1,178)
Increase (decrease) in compensated absences	9,000	-	-
Increase (decrease) in net pension liability	(140,211)	-	(15,818)
Increase (decrease) in deferred inflows of resources	79,563	-	7,840
Total adjustments	\$ 629,904	\$ -	\$ 403,931
Net cash provided by (used for) operating activities	\$ (154,617)	\$ 281,331	\$ (1,443,396)

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, 2018

	Agency <u>Funds</u>
ASSETS	
Cash and cash equivalents	\$ 61,920
Total assets	<u>\$ 61,920</u>
LIABILITIES	
Amounts held for Social Services clients	\$ 61,920
Total liabilities	<u>\$ 61,920</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, 2018

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, 2018, the County paid \$1,170,293 for the confinement of prisoners.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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, 2018

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 government reports the following major proprietary funds:

The County operates a water & sewer system. The activities of the system are accounted for in the Utility fund.

The government reports the following internal service fund:

Internal Service Funds account for the financing of goods and services provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis. The Internal Service Funds consist of the Self-health Insurance 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

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

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.

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.

2. Investments

Money market investments, participating interest-earning investment contracts (repurchase agreements) that have a remaining maturity at time of purchase of one year or less, nonparticipating interest-earning investment contracts (nonnegotiable certificates of deposit (CDs)) and external investment pools are measured at amortized cost. All other investments are reported at fair value.

3. 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 "due to/from other funds" (i.e., the current portion of interfund loans). All other outstanding balances between funds are reported as "advances to/from other funds" (i.e. the noncurrent portion interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

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

4. 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.

5. 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 \$80,368 at June 30, 2018 and is comprised solely of property taxes. The allowance amounted to approximately \$390,720 for the Water department at June 30, 2018 and is comprised solely of water billings and penalties.

6. 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.

7. 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.

8. 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 acquisition 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018Note 1-Summary of Significant Accounting Policies: (Continued)

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

8. Capital Assets (Continued)

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 utility fund, no interest was capitalized during the current year or prior year.

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

9. 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.

10. 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 and School Board's Retirement Plan and the additions to/deductions from the County's and School Board's Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

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

11. 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.

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.

12. 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

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

12. Fund Equity (Continued)

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.

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 or deliberate circumstances.

13. 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 and net OPEB liabilities and contributions to the pension and OPEB plans made during the current year and subsequent to the net pension liability and net OPEB liability measurement date. For more detailed information on these items, reference the related notes.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

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

13. Deferred Outflows/Inflows of Resources (Continued)

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 multiple types of items that qualify for reporting in this category. One item is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount deferred and amortized over the shorter of the life of the refunded or refunding debt. 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 and net OPEB liabilities are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

14. 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.

15. 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.

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

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

16. Other Postemployment Benefits (OPEB)

Group Life Insurance

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

Teacher Employee Health Insurance Credit Program

The Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit (HIC) Program was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The Teacher HIC Program is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired teachers. For purposes of measuring the net Teacher HIC OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Teacher HIC OPEB, and the related HIC OPEB expense, information about the fiduciary net position of the VRS Teacher Employee HIC Program; and the additions to/deductions from the VRS Teacher Employee HIC Program's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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 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, 2018, the ACCE Program Fund, CSA Fund, 8 departments in the General Fund, and VDOT Sharing Program Fund had expenditures in excess of appropriations.

C. Deficit Fund Equity

At June 30, 2018, there were no funds with deficit fund equity.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018Note 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). At June 30, 2018, the County had no investments.

Note 4-Due from Other Governmental Units:

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

	Primary Government	Component Unit-	
	Governmental Activities	School Board	IDA
<u>Commonwealth of Virginia:</u>			
Local sales tax	\$ 295,878	\$ -	\$ -
State sales tax	-	334,030	-
Categorical aid	112,421	26,214	12,000
Shared expenses	156,845	-	-
Non-categorical aid	52,188	-	-
Virginia public assistance funds	106,070	-	-
Community services act	315,903	-	-
<u>Federal Government:</u>			
Virginia public assistance funds	156,412	-	-
School grants	-	385,768	-
Categorical aid	45,973	-	-
Totals	\$ 1,241,690	\$ 746,012	\$ 12,000

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018Note 5-Interfund Transfers and Balances:

Interfund transfers and remaining balances for the year ended June 30, 2018, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ -	\$ 1,847,589
Utility Fund	609,015	-
County Capital Improvements Fund	1,238,574	-
Total	<u>\$ 1,847,589</u>	<u>\$ 1,847,589</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 6-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, 2018:

	<u>Balance July 1, 2017, as restated</u>	<u>Increases/ Issuances</u>	<u>Decreases/ Retirements</u>	<u>Balance June 30, 2018</u>
General obligation bonds	\$ 2,542,619	\$ -	\$ (1,002,118)	\$ 1,540,501
Lease revenue bonds	17,545,900	2,163,376	(383,287)	19,325,989
Unamortized premiums	1,786,013	-	(130,105)	1,655,908
Capital leases	593,822	-	(193,439)	400,383
Landfill postclosure liability	45,929	827	-	46,756
Net OPEB liability	1,681,131	98,127	(162,410)	1,616,848
Compensated absences	748,535	530,185	(561,401)	717,319
Net pension liability	3,917,207	2,238,293	(3,190,050)	2,965,450
Total	<u>\$ 28,861,156</u>	<u>\$ 5,030,808</u>	<u>\$ (5,622,810)</u>	<u>\$ 28,269,154</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 6-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
2019	\$ 760,895	\$ 79,541	\$ 634,252	\$ 679,481
2020	779,606	40,260	757,259	676,740
2021	-	-	1,287,816	633,998
2022	-	-	1,350,113	577,447
2023	-	-	1,405,303	516,526
2024-2028	-	-	6,761,205	1,813,912
2029-2033	-	-	6,258,059	676,288
2034-2038	-	-	871,982	76,354
Totals	<u>\$ 1,540,501</u>	<u>\$ 119,801</u>	<u>\$ 19,325,989</u>	<u>\$ 5,650,746</u>

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COUNTY OF GILES, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 6-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	\$ 195,000	\$ 95,000
General Obligation 2000B VPSA Bond	5.10-5.27%	11/25/2000	7/15/2020	\$606,914-679,606 a+	11,508,990	1,345,501	665,895
Total General Obligation Bonds						<u>\$ 1,540,501</u>	<u>\$ 760,895</u>
<u>Lease Revenue Bonds:</u>							
Lease Revenue Bond Series 2012C	2.82-4.83%	12/6/2012	4/1/2033	\$261,697-989,344 a+	\$ 13,943,366	\$ 10,410,375	\$ -
Lease Revenue Bond Series 2014C	2.12%	6/11/2014	1/15/2034	\$146,000-212,000 a+	3,536,000	2,917,000	155,000
Lease Revenue Bond Series 2015D	3.13%	11/18/2015	10/1/2032	\$54,255-526,598 a+	2,508,519	2,380,859	258,512
Lease Revenue Bond Series 2015D	3.13%	11/18/2015	10/1/2023	\$215,000-275,000 a+	1,460,000	1,460,000	215,000
Lease Revenue Bond Series 2017A	2.98%	7/31/2018	7/31/2038	\$146,368 a+	3,500,000	2,093,376	-
Lease Revenue Bond Series 2017B	4.73%	7/31/2017	7/31/2037	\$8,104 a+	70,000	64,379	5,740
Total Lease Revenue Bonds						<u>\$ 19,325,989</u>	<u>\$ 634,252</u>
<u>Deferred Amount:</u>							
2012C Unamortized Premium						\$ 1,214,553	\$ 83,762
2015D Unamortized Premium						140,935	25,624
2015D Unamortized Premium						300,420	20,719
Total Unamortized Premiums						<u>\$ 1,655,908</u>	<u>\$ 130,105</u>
<u>Other Obligations:</u>							
Capital Leases (Note 8)						\$ 400,383	\$ 150,127
Landfill Postclosure Liability						46,756	-
Net OPEB Liability						1,616,848	-
Compensated Absences						717,319	537,989
Net Pension Liability						2,965,450	-
Total Other Obligations						<u>\$ 5,746,756</u>	<u>\$ 688,116</u>
Total Long-Term Obligations						<u>\$ 28,269,154</u>	<u>\$ 2,213,368</u>

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018Note 6-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, 2018:

	Balance July 1, 2017, as restated	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2018
Revenue bond	\$ 263,709	\$ -	\$ (11,591)	\$ 252,118
Lease revenue bonds	6,781,367	-	(38,697)	6,742,670
Unamortized premiums	847,686	-	(54,689)	792,997
Net OPEB liability	93,823	5,591	(9,000)	90,414
Compensated absences	40,463	39,347	(30,347)	49,463
Net pension liability	297,797	114,574	(254,785)	157,586
Total	\$ 8,324,845	\$ 159,512	\$ (399,109)	\$ 8,085,248

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

Year Ending June 30,	Revenue Bond		Lease Revenue Bonds	
	Principal	Interest	Principal	Interest
2019	\$ 11,591	\$ -	\$ 136,282	\$ 270,440
2020	11,591	-	149,742	263,110
2021	11,591	-	420,625	249,151
2022	11,591	-	442,497	228,337
2023	11,591	-	462,687	206,480
2024-2028	57,957	-	2,665,080	731,739
2029-2033	57,957	-	2,465,757	231,543
2034-2038	57,957	-	-	-
2039-2040	20,292	-	-	-
Totals	\$ 252,118	\$ -	\$ 6,742,670	\$ 2,180,800

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COUNTY OF GILES, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 6-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	\$ 252,118	\$ 11,591
<u>Lease Revenue Bonds:</u>							
Lease Revenue Bond Series 2012C	2.82-4.83%	12/6/2012	4/1/2033	\$137,950-521,955 a+	\$ 7,350,053	\$ 5,487,525	\$ -
Lease Revenue Bond Series 2015D	3.13%	11/18/2015	10/1/2032	\$28,603-277,613 a+	1,322,445	1,255,145	136,282
Total Lease Revenue Bonds						\$ 6,742,670	\$ 136,282
<u>Deferred Amount:</u>							
2012C Unamortized Premium						\$ 634,621	\$ 43,767
2015D Unamortized Premium						158,376	10,922
Total Unamortized Premiums						\$ 792,997	\$ 54,689
<u>Other Obligations:</u>							
Net OPEB Liabilities						\$ 90,414	\$ -
Compensated Absences						49,463	37,097
Net Pension Liability						157,586	-
Total Other Obligations						\$ 297,463	\$ 37,097
Total Long-Term Obligations						\$ 8,085,248	\$ 239,659

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018Note 7-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, 2018:

	Balance July 1, 2017 as restated	Increases	Decreases	Balance June 30, 2018
Net OPEB Liability	\$ 8,246,385	\$ 554,222	\$ (950,441)	\$ 7,850,166
Compensated Absences	320,917	264,996	(240,688)	345,225
Net Pension Liability	23,290,503	3,115,727	(7,019,511)	19,386,719
Total	<u>\$ 31,857,805</u>	<u>\$ 3,934,945</u>	<u>\$ (8,210,640)</u>	<u>\$ 27,582,110</u>

Details of long-term indebtedness:

	Total Amount	Amount Due Within One Year
<u>Other Obligations:</u>		
Net OPEB liabilities	\$ 7,850,166	\$ -
Compensated absences	345,225	258,919
Net pension liability	19,386,719	-
Total Long-Term Obligations	<u>\$ 27,582,110</u>	<u>\$ 258,919</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, 2018:

	Balance July 1, 2017, as restated	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2018
Notes Payable	\$ 2,373,667	\$ -	\$ (139,528)	\$ 2,234,139
Lease Revenue Bonds	3,297,993	-	(189,898)	3,108,095
Unamortized Premium	64,038	-	(4,131)	59,907
Net Pension Liability	69,844	42,300	(58,118)	54,026
Net OPEB Liability	26,706	1,472	(2,650)	25,528
Total	<u>\$ 5,832,248</u>	<u>\$ 43,772</u>	<u>\$ (394,325)</u>	<u>\$ 5,481,695</u>

COUNTY OF GILES, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 7-Long-Term Obligations-Component Units: (Continued)

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

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

Year Ending June 30,	Notes Payable		Lease Revenue Bonds	
	Principal	Interest	Principal	Interest
2019	\$ -	\$ 47,699	\$ 202,206	\$ 87,253
2020	145,616	92,289	207,214	81,746
2021	151,970	85,935	231,500	75,623
2022	158,600	79,305	240,138	68,883
2023	165,520	72,385	247,650	61,862
2024-2028	942,443	247,084	1,344,584	200,687
2029-2033	669,990	43,727	592,803	40,249
2034	-	-	42,000	890
Totals	\$ 2,234,139	\$ 668,424	\$ 3,108,095	\$ 617,193

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	\$ 972,999	\$ -
Notes Payable	4.27%	8/12/2010	7/15/2031	\$134,294 a	1,806,356	1,261,140	-
Total Notes Payable						\$ 2,234,139	\$ -
<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	\$ 412,099	\$ -
Lease Revenue Bond Series 2014A	2.12%	6/11/2014	1/15/2029	\$105,000-138,000 a+	1,809,000	1,369,000	112,000
Lease Revenue Bond Series 2014B	3.93%	6/11/2014	1/15/209	\$43,000-71,000 a+	844,000	654,000	49,000
Lease Revenue Bond Series 2014C	2.12%	6/11/2014	1/15/2034	\$29,000-42,000 a+	702,000	579,000	31,000
Lease Revenue Bond Series 2015D	3.13%	11/18/2015	10/1/2032	\$2,142-20,790 a+	99,036	93,996	10,206
Total Lease Revenue Bonds						\$ 3,108,095	\$ 202,206
<u>Deferred Amount:</u>							
2012C Unamortized Premium					\$	48,046	\$ 3,314
2015D Unamortized Premium						11,861	818
Total Unamortized Premiums						\$ 59,907	\$ 4,132
<u>Other Obligations:</u>							
Net pension liability					\$	54,026	\$ -
Net OPEB liability						25,528	-
Total Other Obligations						\$ 79,554	\$ -
Total Long-Term Obligations						\$ 5,481,695	\$ 206,338

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018Note 8-Capital Leases:Primary Government

The County has entered into lease agreements to finance the acquisition of E-911 equipment, two modular classrooms, voting machines, three school buses, and two vans. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the minimum lease payments at the date of inception.

The assets acquired through capital leases are as follows:

	<u>E-911 Equipment</u>	<u>Modular Classrooms</u>	<u>Buses & Vans</u>	<u>Voting Machines</u>
Machinery and equipment	\$ 170,718	\$ 203,141	\$ 311,184	\$ 63,250
Less: Accumulated depreciation	<u>(170,718)</u>	<u>(28,551)</u>	<u>(90,625)</u>	<u>(27,137)</u>
Net Capital Assets	<u>\$ -</u>	<u>\$ 174,590</u>	<u>\$ 220,559</u>	<u>\$ 36,113</u>

The future minimum lease obligations and the net present value of minimum lease payments as of June 30, 2018, were as follows:

<u>Year Ending June 30,</u>	<u>Modular Classrooms</u>	<u>Buses & Vans</u>	<u>Voting Machines</u>
2019	\$ 54,882	\$ 65,383	\$ 37,848
2020	-	65,383	37,848
2021	-	65,383	37,848
2022	<u>-</u>	<u>32,691</u>	<u>18,926</u>
Subtotal	\$ 54,882	\$ 228,840	\$ 132,470
Less, amount representing interest	<u>(1,229)</u>	<u>(7,798)</u>	<u>(6,782)</u>
Present Value of Lease Agreement	<u>\$ 53,653</u>	<u>\$ 221,042</u>	<u>\$ 125,688</u>

The final payment on the E-911 equipment was paid during FY 2018.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 9-Pension Plan:*Plan Description*

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

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

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<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.</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.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.</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, 2018Note 9-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, and they have not taken a refund.</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, 2018Note 9-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. 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.</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, 2018

Note 9-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 Contribution 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, 2018

Note 9-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 Contribution 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, 2018

Note 9-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 Contribution 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, 2018Note 9-Pension Plan: (Continued)*Plan Description (Continued)*

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 9-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: Age 60 with at least five years (60 months) of creditable service.</p>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018Note 9-Pension Plan: (Continued)*Plan Description (Continued)*

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018Note 9-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, 2018Note 9-Pension Plan: (Continued)*Plan Description (Continued)*

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

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018Note 9-Pension Plan: (Continued)*Employees Covered by Benefit Terms*

As of the June 30, 2016 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	101	53
Inactive members:		
Vested inactive members	28	7
Non-vested inactive members	24	19
Inactive members active elsewhere in VRS	54	36
Total inactive members	106	62
Active members	132	27
Total covered employees	339	142

*Employees for Component Unit IDA included in Primary Government totals above

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 employer contribution rate for the year ended June 30, 2018 was 11.30% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 9-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 \$647,351 and \$634,582 for the years ended June 30, 2018 and June 30, 2017, respectively.

The Component Unit Industrial Development Authority's (IDA) contractually required employer contribution rate for the year ended June 30, 2018 was 11.30% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit IDA were \$10,287 and \$10,340 for the years ended June 30, 2018 and June 30, 2017, respectively.

The Component Unit School Board's (nonprofessional) contractually required employer contribution rate for nonprofessional employees for the year ended June 30, 2018 was 9.64% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board's nonprofessional employees were \$35,474 and \$35,143 for the years ended June 30, 2018 and June 30, 2017, 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, 2017. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

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, 2016, 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, 2017.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 9-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 expenses, including inflation*

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 9-Pension Plan: (Continued)*Actuarial Assumptions - General Employees (Continued)*

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

Largest 10 - Non-Hazardous Duty:

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

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

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

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the County of Smyth Retirement Plan was based on an actuarial valuation as of June 30, 2016, 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, 2017.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 9-Pension Plan: (Continued)

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits (Continued)

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

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

Mortality rates:

Largest 10 - Hazardous Duty: 70% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

All Others (Non 10 Largest) - Hazardous Duty: 45% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018Note 9-Pension Plan: (Continued)*Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits (Continued)*

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

Largest 10 - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

All Others (Non 10 Largest) - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018Note 9-Pension Plan: (Continued)*Long-Term Expected Rate of Return*

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

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, 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, 2019 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018Note 9-Pension Plan: (Continued)*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, 2016	\$ 23,506,505	\$ 19,291,501	\$ 4,215,004
Changes for the year:			
Service cost	\$ 652,478	\$ -	\$ 652,478
Interest	1,602,544	-	1,602,544
Change in assumptions	(98,144)	-	(98,144)
Differences between expected and actual experience	(136)	-	(136)
Impact in change of proportion	(16,846)	(13,826)	(3,020)
Contributions - employer	-	623,831	(623,831)
Contributions - employee	-	296,088	(296,088)
Net investment income	-	2,341,372	(2,341,372)
Benefit payments, including refunds of employee contributions	(1,192,333)	(1,192,333)	-
Administrative expenses	-	(13,516)	13,516
Other changes	-	(2,085)	2,085
Net changes	\$ 947,563	\$ 2,039,531	\$ (1,091,968)
Balances at June 30, 2017	\$ 24,454,068	\$ 21,331,032	\$ 3,123,036

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018Note 9-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, 2016	\$ 389,505	\$ 319,661	\$ 69,844
Changes for the year:			
Service cost	\$ 11,287	\$ -	\$ 11,287
Interest	27,723	-	27,723
Differences between expected and actual experience	(2)	-	(2)
Impact in change of proportion	16,846	13,826	3,020
Change in assumptions	(1,698)	-	(1,698)
Contributions - employer	-	10,792	(10,792)
Contributions - employee	-	5,122	(5,122)
Net investment income	-	40,504	(40,504)
Benefit payments, including refunds of employee contributions	(20,626)	(20,626)	-
Administrative expenses	-	(234)	234
Other changes	-	(36)	36
Net changes	\$ 33,530	\$ 49,348	\$ (15,818)
Balances at June 30, 2017	\$ 423,035	\$ 369,009	\$ 54,026

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018Note 9-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, 2016	\$ 5,633,935	\$ 4,240,432	\$ 1,393,503
Changes for the year:			
Service cost	\$ 39,504	\$ -	\$ 39,504
Interest	382,689	-	382,689
Differences between expected and actual experience	(808,538)	-	(808,538)
Change in Assumptions	(2,083)	-	(2,083)
Contributions - employer	-	34,223	(34,223)
Contributions - employee	-	18,030	(18,030)
Net investment income	-	499,637	(499,637)
Benefit payments, including refunds of employee contributions	(333,910)	(333,910)	-
Administrative expenses	-	(3,099)	3,099
Other changes	-	(435)	435
Net changes	\$ (722,338)	\$ 214,446	\$ (936,784)
Balances at June 30, 2017	\$ 4,911,597	\$ 4,454,878	\$ 456,719

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018Note 9-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		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
County			
Net Pension Liability (Asset)	\$ 6,288,022	\$ 3,123,036	\$ 498,760
Component Unit Industrial Development Authority			
Net Pension Liability (Asset)	\$ 108,778	\$ 54,026	\$ 8,628
Component Unit School Board (nonprofessional)			
Net Pension Liability (Asset)	\$ 1,025,035	\$ 456,719	\$ (16,155)

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018Note 9-Pension Plan: (Continued)*Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

For the year ended June 30, 2018, the County, Component Unit IDA, and Component Unit School Board (nonprofessional) recognized pension expense of \$738,687, \$12,446, and (\$682,556), respectively. At June 30, 2018, 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
Differences between expected and actual experience	\$ 187,407	\$ -	\$ 2,889	\$ -	\$ 916	\$ 128,244
Change in assumptions	-	68,311	-	1,182	-	206
Net difference between projected and actual earnings on pension plan investments	-	310,408	-	5,384	-	57,087
Change in proportionate share	66,706	75,034	8,327	-	-	-
Employer contributions subsequent to the measurement date	647,351	-	10,287	-	35,474	-
Total	\$ 901,464	\$ 453,753	\$ 21,503	\$ 6,566	\$ 36,390	\$ 185,537

\$647,351, \$10,287, and \$35,474 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 fiscal year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	Primary Government	Component Unit Industrial Development Authority	Component Unit School Board (nonprofessional)
2019	\$ (57,605)	\$ 1,909	\$ (170,076)
2020	70,767	3,336	24,463
2021	(9,825)	299	3,549
2022	(202,977)	(894)	(42,557)
Thereafter	-	-	-

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 9-Pension Plan: (Continued)

Component Unit School Board (professional)

Plan Description

Additional information related to the plan description, plan contribution requirements, long-term expected rate of return, and discount rate is included in the first section of this note.

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each school division's contractually required employer contribution rate for the year ended June 30, 2018 was 16.32% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and reflects the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School Board were \$2,009,000 and \$1,752,000 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, the school division reported a liability of \$18,930,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2017 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, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the school division's proportion was 0.15393% as compared to 0.15625% at June 30, 2016.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018Note 9-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, 2018, the school division recognized pension expense of \$1,437,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2018, 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	\$ -	\$ 1,340,000
Change in assumptions	276,000	-
Net difference between projected and actual earnings on pension plan investments	-	688,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	184,000	321,000
Employer contributions subsequent to the measurement date	2,009,000	-
Total	\$ 2,469,000	\$ 2,349,000

\$2,009,000 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 fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	
2019	\$ (703,000)
2020	(71,000)
2021	(316,000)
2022	(698,000)
Thereafter	(101,000)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 9-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, 2016, 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, 2017.

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

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

Mortality rates:

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018Note 9-Pension Plan: (Continued)Component Unit School Board (professional) (Continued)*Actuarial Assumptions (Continued)*

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

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

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2017, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

	<u>Teacher Employee Retirement Plan</u>
Total Pension Liability	\$ 45,417,520
Plan Fiduciary Net Position	<u>33,119,545</u>
Employers' Net Pension Liability (Asset)	<u>\$ 12,297,975</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.92%

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018Note 9-Pension Plan: (Continued)Component Unit School Board (professional) (Continued)*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		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset)	\$ 28,269,000	\$ 18,930,000	\$ 11,205,000

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-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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Note 10- Health Insurance - Pay-as-you-go (OPEB Plan):

In addition to the pension benefits described in Note 9, the County and Component Unit-IDA administer a cost-sharing defined benefit healthcare plan. Several entities participate in the defined benefit healthcare plan through the County of Giles, Virginia and the participating entities report their proportionate information on the basis of a cost-sharing plan.

In addition to the pension benefits described in Note 9, the School Board administers a single-employer defined benefit healthcare plan. The plan provides postemployment health care benefits to all eligible permanent employees who meet the requirements under the School Board's pension plan. The plan does not issue a publicly available financial report.

Benefits Provided

The County of Giles and Component Unit-IDA administer a cost-sharing defined benefit healthcare plan. The Component Unit - School Board administers a single-employer healthcare plan. The Plan provides for participation by eligible retirees and their dependents in the health insurance programs available to County, IDA, and School Board employees. The Plan will provide retiring employees the option to continue health insurance offered by the County, IDA, and School Board. Any County and IDA 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 and IDA, 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.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018Note 10- Health Insurance - Pay-as-you-go (OPEB Plan): (Continued)

Plan Membership

At June 30, 2018 (measurement date), the following employees were covered by the benefit terms:

	Primary Government*	Component Unit-School Board
Total active employees with coverage	139	303
Total active employees without coverage	-	-
Total retirees with coverage	6	49
Total retirees without coverage	-	-
Total	145	352

*Employees for Component Unit IDA included in Primary Government totals above

Contributions

The board does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the County Board. The amount paid by the County for OPEB as the benefits came due during the year ended June 30, 2018 was \$56,107. The amount paid by the IDA for OPEB as the benefits came due during the year ended June 30, 2018 was \$791. The amount paid by the School Board for OPEB as the benefits came due during the year ended June 30, 2018 was \$409,480.

Total OPEB Liability

The County's, Industrial Development Authority's, and School Board's total OPEB liability was measured as of June 30, 2018. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2017.

Actuarial Assumptions

The total OPEB liability in the January 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 10- Health Insurance - Pay-as-you-go (OPEB Plan): (Continued)

Actuarial Assumptions (Continued)

Primary Government and Component Unit - Industrial Development Authority:

Actuarial Cost Method	Entry Age Normal
Healthcare Cost Trend Rates	8.70% for fiscal year end 2018, decreasing to an ultimate rate of 4.00% over 70 years
Discount Rate	3.50% for fiscal year ending June 30, 2017 3.87% for fiscal year ending June 30, 2018
Inflation	2.50%

Pre-retirement mortality rates use RP-2000 EE Mortality Tables projected to 2020, using scale AA with males set forward 2 years and females set back 3 years. Post-retirement mortality rates use RP 2000 Combined Mortality Tables projected to 2020, using scale AA with females set back 1 year. Post-disablement mortality rates use RP 2000 Disabled Mortality Tables with males set back 3 years and no provision for future mortality improvement.

Component Unit-School Board:

Actuarial Cost Method	Entry Age Normal
Healthcare Cost Trend Rates	8.90% for fiscal year end 2018, decreasing to an ultimate rate of 4.30% over 57 years
Discount Rate	3.50% for fiscal year ending June 30, 2017 3.87% for fiscal year ending June 30, 2018
Inflation	2.50%

Pre-retirement mortality rates use RP-2000 EE Mortality Tables projected to 2020, using scale AA with males set forward 2 years and females set back 3 years. Post-retirement mortality rates use RP 2000 Combined Mortality Tables projected to 2020, using scale AA with females set back 1 year. Post-disablement mortality rates use RP 2000 Disabled Mortality Tables with males set back 3 years and no provision for future mortality improvement.

Discount Rate

The discount rate used when OPEB plan investments are insufficient to pay for future benefit payments is based on the Bond Buyer General Obligation 20-Bond Municipal Index. The final equivalent single discount rate used for this year's valuation is 3.87% as of the end of the fiscal year with the expectation that the County, IDA, and School Board will continue contributing the Actuarially Determined Contribution and paying the pay-go cost.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018Note 10- Health Insurance - Pay-as-you-go (OPEB Plan): (Continued)

Changes in Total OPEB Liability

	Primary Government	Component Unit- Industrial Development Authority	Component Unit- School Board
	Total OPEB Liability	Total OPEB Liability	Total OPEB Liability
Balances at June 30, 2017	\$ 1,247,085	\$ 17,574	\$ 5,067,385
Changes for the year:			
Service cost	48,957	690	211,563
Interest	44,387	626	177,659
Changes in assumptions	(35,136)	(495)	(166,961)
Benefit payments	(56,107)	(791)	(409,480)
Net changes	\$ 2,101	\$ 30	\$ (187,219)
Balances at June 30, 2018	\$ 1,249,186	\$ 17,604	\$ 4,880,166

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following amounts present the total OPEB liability of the County, IDA, and School Board as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.87%) or one percentage point higher (4.87%) than the current discount rate:

Primary Government:

Rate		
1% Decrease	Current Discount	1% Increase
(2.87%)	(3.87%)	(4.87%)
\$ 1,346,258	\$ 1,249,186	\$ 1,158,952

Component Unit-Industrial Development Authority:

Rate		
1% Decrease	Current Discount	1% Increase
(2.87%)	(3.87%)	(4.87%)
\$ 18,972	\$ 17,604	\$ 16,332

Component Unit-School Board:

Rate		
1% Decrease	Current Discount	1% Increase
(2.87%)	(3.87%)	(4.87%)
\$ 5,344,746	\$ 4,880,166	\$ 4,458,444

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018Note 10- Health Insurance - Pay-as-you-go (OPEB Plan): (Continued)*Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates*

The following presents the total OPEB liability of the County, IDA, and School Board, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

Primary Government:

Rate		
Healthcare Cost		
1% Decrease	Trend	1% Increase
(7.70% decreasing to 3.00%)	(8.70% decreasing to 4.00%)	(9.70% decreasing to 5.00%)
\$ 1,147,702	\$ 1,249,186	\$ 1,368,504

Component Unit-Industrial Development Authority:

Rate		
Healthcare Cost		
1% Decrease	Trend	1% Increase
(7.70% decreasing to 3.00%)	(8.70% decreasing to 4.00%)	(9.70% decreasing to 5.00%)
\$ 16,174	\$ 17,604	\$ 19,285

Component Unit-School Board:

Rate		
Healthcare Cost		
1% Decrease	Trend	1% Increase
(7.90% decreasing to 3.30%)	(8.90% decreasing to 4.30%)	(9.90% decreasing to 5.30%)
\$ 4,258,881	\$ 4,880,166	\$ 5,633,247

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018Note 10- Health Insurance - Pay-as-you-go (OPEB Plan): (Continued)*OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources*

For the year ended June 30, 2018, the County recognized OPEB expense in the amount of \$85,868, the Industrial Development Authority \$1,210, and the School Board \$354,438. At June 30, 2018, the County and School Board reported the following deferred outflows of resources and deferred inflows of resources related to OPEB:

	Primary Government		Component Unit - Industrial Development Authority		Component Unit - School Board	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ -	\$ 27,660	\$ -	\$ 390	\$ -	\$ 132,177
Total	\$ -	\$ 27,660	\$ -	\$ 390	\$ -	\$ 132,177

Additional disclosures on changes in net OPEB liability, related ratios, and employer contributions can be found in the required supplementary information following the notes to the financial statements.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 11- Group Life Insurance (GLI) Program (OPEB Plan):

Plan Description

All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance Program upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

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

The specific information for Group Life Insurance Program OPEB, including eligibility, coverage and benefits is set out in the table below:

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS
<p>Eligible Employees</p> <p>The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:</p> <ul style="list-style-type: none">• City of Richmond• City of Portsmouth• City of Roanoke• City of Norfolk• Roanoke City School Board <p>Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.</p>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 11- Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Plan Description (Continued)

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS (Continued)
<p>Benefit Amounts</p> <p>The benefits payable under the Group Life Insurance Program have several components.</p> <ul style="list-style-type: none"> • <u>Natural Death Benefit</u> - The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. • <u>Accidental Death Benefit</u> - The accidental death benefit is double the natural death benefit. • <u>Other Benefit Provisions</u> - In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include: <ul style="list-style-type: none"> ○ Accidental dismemberment benefit ○ Safety belt benefit ○ Repatriation benefit ○ Felonious assault benefit ○ Accelerated death benefit option
<p>Reduction in Benefit Amounts</p> <p>The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.</p>
<p>Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)</p> <p>For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute. The amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently \$8,111.</p>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 11- Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability.

Contributions to the Group Life Insurance Program from the County were \$30,528 and \$29,226 for the years ended June 30, 2018 and June 30, 2017, respectively.

Contributions to the Group Life Insurance Program from the Component Unit-Industrial Development Authority were \$485 and \$506 for the years ended June 30, 2018 and June 30, 2017, respectively.

Contributions to the Group Life Insurance Program from the Component Unit-School Board (non-professional) were \$2,000 and \$2,000 for the years ended June 30, 2018 and June 30, 2017, respectively.

Contributions to the Group Life Insurance Program from the Component Unit-School Board (professional) were \$65,000 and \$63,000 for the years ended June 30, 2018 and June 30, 2017, respectively.

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB

At June 30, 2018, the County reported a liability of \$458,076 for its proportionate share of the Net GLI OPEB Liability.

At June 30, 2018, the Component Unit-Industrial Development Authority reported a liability of \$7,924 for its proportionate share of the Net GLI OPEB Liability.

At June 30, 2018, the Component Unit-School Board (nonprofessional) reported a liability of \$30,000 for its proportionate share of the Net GLI OPEB Liability.

At June 30, 2018, the Component Unit-School Board (professional) reported a liability of \$990,000 for its proportionate share of the Net GLI OPEB Liability.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 11- Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB (Continued)

The Net GLI OPEB Liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers.

At June 30, 2017, the County's proportion was 0.03100% as compared to 0.03072% at June 30, 2016. The Industrial Development Authority participates in the County's GLI OPEB and represents 1.5643% and 1.7005% of the above proportionate share for the years ending June 30, 2017 and June 30, 2016, respectively.

At June 30, 2017, the Component Unit-Industrial Development Authority proportion was 1.5643% of the County's proportion of 0.03100% as compared to 1.7005% of the County's proportion of 0.03072% at June 30, 2016.

At June 30, 2017, the Component Unit-School Board (nonprofessional) proportion was 0.00202% as compared to 0.00212% at June 30, 2016.

At June 30, 2017, the Component Unit-School Board (professional) proportion was 0.06581% as compared to 0.06630% at June 30, 2016.

For the year ended June 30, 2018, the County recognized GLI OPEB expense of \$5,898. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

For the year ended June 30, 2018, the Component-Unit Industrial Development Authority recognized GLI OPEB expense of \$102. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

For the year ended June 30, 2018, the Component-Unit School Board (nonprofessional) recognized GLI OPEB expense of (\$2,000). Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

For the year ended June 30, 2018, the Component-Unit School Board (professional) recognized GLI OPEB expense of \$10,000. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018Note 11-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)*GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB (Continued)*

At June 30, 2018, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Primary Government		Component Unit Industrial Development Authority	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 9,830	\$ -	\$ 170
Net difference between projected and actual earnings on GLI OPEB program investments	-	17,694	-	306
Change in assumptions	-	23,591	-	408
Changes in proportion	3,932	-	68	-
Employer contributions subsequent to the measurement date	30,528	-	485	
Total	\$ 34,460	\$ 51,115	\$ 553	\$ 884

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018Note 11-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)*GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB (Continued)*

	Component Unit School Board (Nonprofessional)		Component Unit School Board (Professional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -	\$ -	\$ 22,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	1,000	-	37,000
Change in assumptions	-	2,000	-	51,000
Changes in proportion	-	-	-	8,000
Employer contributions subsequent to the measurement date	<u>2,000</u>	<u>-</u>	<u>65,000</u>	<u>-</u>
Total	<u>\$ 2,000</u>	<u>\$ 3,000</u>	<u>\$ 65,000</u>	<u>\$ 118,000</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018Note 11-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)*GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB (Continued)*

\$30,528, \$485, \$2,000, and \$65,000 reported as deferred outflows of resources related to the GLI OPEB resulting from the County's, Component -Unit Industrial Development Authority, Component-Unit School Board (Nonprofessional), and Component-Unit School Board (Professional), respectively, contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30	Primary Government	Component Unit-Industrial Development Authority	Component Unit-School Board (Non- professional)	Component Unit-School Board (Professional)
2019	\$ (9,830)	\$ (170)	\$ (1,000)	\$ (24,000)
2020	(9,830)	(170)	(1,000)	(24,000)
2021	(9,830)	(170)	(1,000)	(24,000)
2022	(9,830)	(170)	-	(24,000)
2023	(5,898)	(102)	-	(14,000)
Thereafter	(1,965)	(34)	-	(8,000)

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018Note 11-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)*Actuarial Assumptions*

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2016, 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, 2017.

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

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

Mortality Rates - General State Employees**Pre-Retirement:**

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males 115% of rates; females 130% of rates.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018Note 11-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)*Actuarial Assumptions (Continued)***Mortality Rates - General State Employees (Continued)**

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

Mortality Rates - Teachers**Pre-Retirement:**

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018Note 11-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)*Actuarial Assumptions (Continued)***Mortality Rates - Teachers (Continued)**

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

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

Mortality Rates - SPORS Employees**Pre-Retirement:**

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018Note 11-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)*Actuarial Assumptions (Continued)***Mortality Rates - SPORS Employees (Continued)**

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

Mortality Rates - VaLORS Employees**Pre-Retirement:**

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 11-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)*Actuarial Assumptions (Continued)***Mortality Rates - VaLORS Employees (Continued)**

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

Mortality Rates - JRS Employees**Pre-Retirement:**

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% compounding increase from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males 115% of rates; females 130% of rates.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018Note 11-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)*Actuarial Assumptions (Continued)***Mortality Rates - JRS Employees (Continued)**

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

Mortality Rates - Largest Ten Locality Employers - General Employees**Pre-Retirement:**

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

Post-Retirement:

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

Post-Disablement:

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018Note 11-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)*Actuarial Assumptions (Continued)***Mortality Rates - Largest Ten Locality Employers - General Employees (Continued)**

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

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

Mortality Rates - Non-Largest Ten Locality Employers - General Employees**Pre-Retirement:**

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

Post-Retirement:

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

Post-Disablement:

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018Note 11-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)*Actuarial Assumptions (Continued)***Mortality Rates - Non-Largest Ten Locality Employers - General Employees (Continued)**

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

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

Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees**Pre-Retirement:**

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018Note 11-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)*Actuarial Assumptions (Continued)***Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees (Continued)**

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees**Pre-Retirement:**

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018Note 11-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)*Actuarial Assumptions (Continued)***Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees (Continued)**

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

NET GLI OPEB Liability

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the Group Life Insurance Program is as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program
Total GLI OPEB Liability	\$ 2,942,426
Plan Fiduciary Net Position	1,437,586
Employers' Net GLI OPEB Liability (Asset)	\$ 1,504,840
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	48.86%

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018Note 11-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)*Long-Term Expected Rate of Return*

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

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

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

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018Note 11-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)*Sensitivity of the Employer's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate*

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

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
County's proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 592,746	\$ 458,076	\$ 348,963
Component Unit-Industrial Development Authority's proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 10,254	\$ 7,924	\$ 6,037
Component Unit-School Board (Nonprofessional)'s proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 39,000	\$ 30,000	\$ 23,000
Component Unit-School Board (Professional)'s proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 1,281,000	\$ 990,000	\$ 755,000

Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018Note 12-Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan):*Plan Description*

All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Employee Health Insurance Credit Program. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

The specific information for the Teacher Health Insurance Credit Program OPEB, including eligibility, coverage, and benefits is set out in the table below:

TEACHER EMPLOYEE HEALTH INSURANCE CREDIT PROGRAM PLAN PROVISIONS
<p>Eligible Employees</p> <p>The Teacher Employee Retiree Health Insurance Credit Program was established July 1, 1993 for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit.</p> <p>Eligible employees are enrolled automatically upon employment. They include:</p> <ul style="list-style-type: none"> • Full-time permanent (professional) salaried employees of public school divisions covered under VRS.
<p>Benefit Amounts</p> <p>The Teacher Employee Retiree Health Insurance Credit Program provides the following benefits for eligible employees:</p> <ul style="list-style-type: none"> • <u>At Retirement</u> - For Teacher and other professional school employees who retire, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount. • <u>Disability Retirement</u> - For Teacher and other professional school employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is either: <ul style="list-style-type: none"> ○ \$4.00 per month, multiplied by twice the amount of service credit, or ○ \$4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.
<p>Health Insurance Credit Program Notes:</p> <ul style="list-style-type: none"> • The monthly Health Insurance Credit benefit cannot exceed the individual premium amount. • Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the health insurance credit as a retiree.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 12-Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

Contributions

The contribution requirements for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2018 was 1.23% of covered employee compensation for employees in the VRS Teacher Employee Health Insurance Credit Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate 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 from the school division to the VRS Teacher Employee Health Insurance Credit Program were \$154,000 and \$135,000 for the years ended June 30, 2018 and June 30, 2017, respectively.

Teacher Employee Health Insurance Credit Program OPEB Liabilities, Teacher Employee Health Insurance Credit Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee Health Insurance Credit Program OPEB

At June 30, 2018, the school division reported a liability of \$1,950,000 for its proportionate share of the VRS Teacher Employee Health Insurance Credit Program Net OPEB Liability. The Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was measured as of June 30, 2017 and the total VRS Teacher Employee Health Insurance Credit Program OPEB liability used to calculate the Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee Health Insurance Credit Program OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the school division's proportion of the VRS Teacher Employee Health Insurance Credit Program was 0.15371% as compared to 0.15624% at June 30, 2016.

For the year ended June 30, 2018, the school division recognized VRS Teacher Employee Health Insurance Credit Program OPEB expense of \$155,000. Since there was a change in proportionate share between June 30, 2016 and June 30, 2017, a portion of the VRS Teacher Employee Health Insurance Credit Program Net OPEB expense was related to deferred amounts from changes in proportion.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018Note 12-Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

Teacher Employee Health Insurance Credit Program OPEB Liabilities, Teacher Employee Health Insurance Credit Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee Health Insurance Credit Program OPEB: (Continued)

At June 30, 2018, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee Health Insurance Credit Program OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	\$ -	\$ 4,000
Change in assumptions	-	20,000
Change in proportion	-	28,000
Employer contributions subsequent to the measurement date	<u>154,000</u>	<u>-</u>
Total	<u>\$ 154,000</u>	<u>\$ 52,000</u>

\$154,000 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2019	\$ (8,000)
2020	(8,000)
2021	(8,000)
2022	(8,000)
2023	(7,000)
Thereafter	(13,000)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 12-Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

Actuarial Assumptions

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee Health Insurance Credit Program was based on an actuarial valuation as of June 30, 2016, 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, 2017.

Inflation	2.5%
Salary increases, including inflation:	
Teacher employees	3.5%-5.95%
Investment rate of return	7.0%, net of investment expenses, including inflation*

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

Mortality Rates - Teachers

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018Note 12-Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)**Mortality Rates - Teachers: (Continued)**

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

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

Net Teacher Employee HIC OPEB Liability

The net OPEB liability (NOL) for the Teacher Employee Health Insurance Credit Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the VRS Teacher Employee Health Insurance Credit Program is as follows (amounts expressed in thousands):

		Teacher Employee HIC OPEB Plan
Total Teacher Employee HIC OPEB Liability	\$	1,364,702
Plan Fiduciary Net Position		96,091
Teacher Employee net HIC OPEB Liability (Asset)	\$	<u>1,268,611</u>

Plan Fiduciary Net Position as a Percentage

of the Total Teacher Employee HIC OPEB Liability

7.04%

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018Note 12-Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)*Long-Term Expected Rate of Return*

The long-term expected rate of return on the VRS 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 VRS 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
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

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

Discount Rate

The discount rate used to measure the total Teacher Employee HIC OPEB was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2019, the rate contributed by each school division for the VRS Teacher Employee Health Insurance Credit Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, all agencies are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee HIC OPEB 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 Teacher Employee HIC OPEB liability.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018Note 12-Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)*Sensitivity of the School Division's Proportionate Share of the Teacher Employee HIC Net OPEB Liability to Changes in the Discount Rate*

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan			
Net HIC OPEB Liability	\$ 2,176,000	\$ 1,950,000	\$ 1,757,000

Teacher Employee HIC OPEB Fiduciary Net Position

Detailed information about the VRS Teacher Employee Health Insurance Credit Program's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 13- 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* and *deferred revenue* reported in the governmental funds and governmental activities, respectively, were as follows:

	Unavailable	Deferred
Property taxes receivable due after June 30, 2018	\$ 2,983,499	\$ 2,983,499
Property taxes receivable due prior to June 30, 2018	579,524	-
Prepaid taxes	379,515	379,515
Total unavailable revenue for governmental funds	\$ 3,942,538	\$ 3,363,014

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018Note 14-Capital Assets:

Capital asset activity for the year ended June 30, 2018 was as follows:

Primary Government:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 530,530	\$ -	\$ -	\$ 530,530
Construction in progress	3,671,570	1,732,508	(3,975,530)	1,428,548
Total capital assets not being depreciated	<u>\$ 4,202,100</u>	<u>\$ 1,732,508</u>	<u>\$ (3,975,530)</u>	<u>\$ 1,959,078</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 36,174,593	\$ 3,907,007	\$ -	\$ 40,081,600
Machinery and equipment	4,273,366	211,527	-	4,484,893
Total capital assets being depreciated	<u>\$ 40,447,959</u>	<u>\$ 4,118,534</u>	<u>\$ -</u>	<u>\$ 44,566,493</u>
Accumulated depreciation:				
Buildings and improvements	\$ (19,873,425)	\$ (1,837,253)	\$ -	\$ (21,710,678)
Machinery and equipment	(3,217,533)	(312,082)	-	(3,529,615)
Total accumulated depreciation	<u>\$ (23,090,958)</u>	<u>\$ (2,149,335)</u>	<u>\$ -</u>	<u>\$ (25,240,293)</u>
Total capital assets being depreciated, net	<u>\$ 17,357,001</u>	<u>\$ 1,969,199</u>	<u>\$ -</u>	<u>\$ 19,326,200</u>
Governmental activities capital assets, net	<u>\$ 21,559,101</u>	<u>\$ 3,701,707</u>	<u>\$ (3,975,530)</u>	<u>\$ 21,285,278</u>

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COUNTY OF GILES, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 14-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	79,983	259,843	-	339,826
Total capital assets, not being depreciated	<u>\$ 92,983</u>	<u>\$ 259,843</u>	<u>\$ -</u>	<u>\$ 352,826</u>
Capital assets, being depreciated:				
Utility plant and infrastructure	\$ 17,003,180	\$ -	\$ -	\$ 17,003,180
Machinery and equipment	585,218	18,158	-	603,376
Total capital assets, being depreciated	<u>\$ 17,588,398</u>	<u>\$ 18,158</u>	<u>\$ -</u>	<u>\$ 17,606,556</u>
Accumulated depreciation:				
Utility plant and infrastructure	\$ (5,283,010)	\$ (508,334)	\$ -	\$ (5,791,344)
Machinery and equipment	(376,456)	(42,869)	-	(419,325)
Total accumulated depreciation	<u>\$ (5,659,466)</u>	<u>\$ (551,203)</u>	<u>\$ -</u>	<u>\$ (6,210,669)</u>
Total capital assets being depreciated, net	<u>\$ 11,928,932</u>	<u>\$ (533,045)</u>	<u>\$ -</u>	<u>\$ 11,395,887</u>
Business-type activities capital assets, net	<u>\$ 12,021,915</u>	<u>\$ (273,202)</u>	<u>\$ -</u>	<u>\$ 11,748,713</u>

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

Governmental activities:

General government administration	\$ 156,072
Judicial administration	32,111
Public safety	143,286
Public works	81,802
Education	1,653,199
Parks, recreation, and cultural	2,617
Community development	<u>80,248</u>

Total depreciation expense-governmental activities \$ 2,149,335

Business-type activities:

Water department	<u>\$ 551,203</u>
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018Note 14-Capital Assets: (Continued)

Capital asset activity for the School Board for the year ended June 30, 2018 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
Total capital assets not being depreciated	<u>\$ 473,652</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 473,652</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 15,133,175	\$ 7,930	\$ -	\$ 15,141,105
Machinery and equipment	5,418,880	127,470	-	5,546,350
Total capital assets being depreciated	<u>\$ 20,552,055</u>	<u>\$ 135,400</u>	<u>\$ -</u>	<u>\$ 20,687,455</u>
Accumulated depreciation:				
Buildings and improvements	\$ (12,565,673)	\$ (331,553)	\$ -	\$ (12,897,226)
Machinery and equipment	(3,973,079)	(358,437)	-	(4,331,516)
Total accumulated depreciation	<u>\$ (16,538,752)</u>	<u>\$ (689,990)</u>	<u>\$ -</u>	<u>\$ (17,228,742)</u>
Total capital assets being depreciated, net	<u>\$ 4,013,303</u>	<u>\$ (554,590)</u>	<u>\$ -</u>	<u>\$ 3,458,713</u>
Governmental activities capital assets, net	<u>\$ 4,486,955</u>	<u>\$ (554,590)</u>	<u>\$ -</u>	<u>\$ 3,932,365</u>

Depreciation expense of \$689,990 was charged to education in the Statement of Activities.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 14-Capital Assets: (Continued)

Capital asset activity for the Industrial Development Authority for the year ended June 30, 2018 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	\$ 607,801	\$ -	\$ (146,323)	\$ 461,478
Total capital assets not being depreciated	<u>\$ 607,801</u>	<u>\$ -</u>	<u>\$ (146,323)</u>	<u>\$ 461,478</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 9,493,633	\$ -	\$ -	\$ 9,493,633
Accumulated depreciation:				
Buildings and improvements	\$ (1,989,812)	\$ (250,131)	\$ -	\$ (2,239,943)
Total capital assets being depreciated, net	<u>\$ 7,503,821</u>	<u>\$ (250,131)</u>	<u>\$ -</u>	<u>\$ 7,253,690</u>
Business-type activities capital assets, net	<u>\$ 8,111,622</u>	<u>\$ (250,131)</u>	<u>\$ (146,323)</u>	<u>\$ 7,715,168</u>

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

Note 15-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, 2018, the value of these assets was \$1,689,349.

The following is a summary of transactions for these assets for the year ended June 30, 2018.

	Beginning Balance	Increases	Decreases	Ending Balance
Inventories/ Assets held for resale	<u>\$ 1,689,349</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,689,349</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 16-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 17-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 Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by audit, the Federal Government may subject grant programs to additional compliance tests, which may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

Note 18-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 19-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 \$46,756. This amount is based on what it would cost to perform all postclosure care in 2018. 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, 2018Note 19-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 20 - Commitments and Contingencies:

At June 30, 2018, the following construction commitments were outstanding:

Project	Total Due	Retainage	Net Amount Due
Governmental Activities			
Sheriff's Office Upfit	\$ 149,515	\$ 149,515	\$ -

Note 21-Litigation:

As of June 30, 2018, 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-Tax Abatements:

GASB Statement 77, Tax Abatement Disclosures, requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

The County entered into a performance agreement with Celanese Acetate, LLC on October 16, 2012. Under the agreement, the Company was obligated to make capital investments at the Facility of at least \$145,000,000 and to create and maintain at least 22 new jobs at the Facility, all as of the initial performance date of December 31, 2015. Upon completion of the Capital Investment project, the Locality provided funds to the Industrial Development Authority in an amount equal to the new taxes paid by the Company in the prior tax year, provided the Company had paid all taxes due to the Locality for the prior tax year. After receipt of funds from the Locality, the Authority provided a grant to the Company in an amount equal to such new taxes. Under the agreement, such reimbursement request shall be submitted no later than January 31st of each year thereafter for a maximum of five years. In fiscal year 2018, \$1,197,579 was reimbursed to the Company.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 23-Adoption of Accounting Principles:

The County implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* during the fiscal year ended June 30, 2018. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to postemployment benefits other than pensions (other postemployment benefits or OPEB). Note disclosure and required supplementary information requirements about OPEB are also addressed. The requirements of this Statement will improve accounting and financial reporting by state and local governments for OPEB. In addition, the County implemented Governmental Accounting Standards Board Statement No. 85, *Omnibus 2017* during the fiscal year ended June 30, 2018. This Statement addresses practice issues identified during implementation and application of certain GASB statements for a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). The implementation of these Statements resulted in the following restatement of net position:

	Primary Government		Component Unit	
	Governmental Activities	Business Type Activities	Industrial Development Authority	School Board
Net Position, July 1, 2017, as previously stated	\$ 1,205,743	\$ 3,816,535	\$ 4,630,850	\$ (15,408,326)
Implementation of GASB 75	(1,427,314)	(66,417)	(26,202)	(7,513,790)
Net Position, July 1, 2017, as restated	<u>\$ (221,571)</u>	<u>\$ 3,750,118</u>	<u>\$ 4,604,648</u>	<u>\$ (22,922,116)</u>

Note 24 - Upcoming Pronouncements:

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 24 - Upcoming Pronouncements: (Continued)

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

Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, clarifies which liabilities governments should include when disclosing information related to debt. It defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. The Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, it requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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

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, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
General property taxes	\$ 15,059,771	\$ 15,059,771	\$ 15,023,419	\$ (36,352)
Other local taxes	2,141,591	2,141,591	2,108,762	(32,829)
Permits, privilege fees, and regulatory licenses	41,574	41,574	46,163	4,589
Fines and forfeitures	20,000	20,000	37,391	17,391
Revenue from the use of money and property	123,445	123,447	122,887	(560)
Charges for services	590,200	590,200	578,998	(11,202)
Miscellaneous	215,800	226,991	528,908	301,917
Recovered costs	1,963,276	1,963,276	1,894,097	(69,179)
Intergovernmental:				
Commonwealth	6,423,141	6,542,983	6,267,290	(275,693)
Federal	1,810,000	1,810,000	1,936,758	126,758
Total revenues	\$ 28,388,798	\$ 28,519,833	\$ 28,544,673	\$ 24,840
EXPENDITURES				
Current:				
General government administration	\$ 1,802,389	\$ 2,321,227	\$ 2,137,491	\$ 183,736
Judicial administration	881,511	884,391	882,239	2,152
Public safety	5,236,821	5,615,332	5,383,062	232,270
Public works	2,032,231	949,079	902,164	46,915
Health and welfare	5,900,099	5,899,527	5,965,561	(66,034)
Education	6,787,984	8,504,570	8,327,397	177,173
Parks, recreation, and cultural	559,847	664,600	666,223	(1,623)
Community development	2,558,492	3,021,531	2,449,689	571,842
Nondepartmental	713,728	622,816	436,263	186,553
Debt service:				
Principal retirement	1,013,666	1,013,664	1,101,069	(87,405)
Interest and other fiscal charges	178,882	178,882	136,142	42,740
Total expenditures	\$ 27,665,650	\$ 29,675,619	\$ 28,387,300	\$ 1,288,319
Excess (deficiency) of revenues over (under) expenditures	\$ 723,148	\$ (1,155,786)	\$ 157,373	\$ 1,313,159
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (1,579,821)	\$ (1,265,117)	\$ (1,847,589)	\$ (582,472)
Total other financing sources (uses)	\$ (1,579,821)	\$ (1,265,117)	\$ (1,847,589)	\$ (582,472)
Net change in fund balances	\$ (856,673)	\$ (2,420,903)	\$ (1,690,216)	\$ 730,687
Fund balances - beginning	856,673	2,420,903	3,502,172	1,081,269
Fund balances - ending	\$ -	\$ -	\$ 1,811,956	\$ 1,811,956

County of Giles, Virginia
Schedule of Changes in Net Pension Liability and Related Ratios
Primary Government
For the Years Ended June 30, 2015 through June 30, 2018

	2017	2016	2015	2014
Total pension liability				
Service cost	\$ 652,478	\$ 526,089	\$ 533,859	\$ 470,527
Interest	1,602,544	1,521,355	1,418,513	1,365,894
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(136)	331,152	747,408	-
Impact in change of proportion	(16,846)	(70,081)	-	-
Changes in assumptions	(98,144)	-	-	-
Benefit payments, including refunds of employee contributions	(1,192,333)	(1,211,475)	(1,109,557)	(1,059,912)
Net change in total pension liability	\$ 947,563	\$ 1,097,040	\$ 1,590,223	\$ 776,509
Total pension liability - beginning	23,506,505	22,409,465	20,819,241	20,042,729
Total pension liability - ending (a)	<u>\$ 24,454,068</u>	<u>\$ 23,506,505</u>	<u>\$ 22,409,464</u>	<u>\$ 20,819,238</u>
Plan fiduciary net position				
Impact in change of proportion	\$ (13,826)	\$ (60,229)	\$ -	\$ -
Contributions - employer	623,831	707,686	543,957	532,111
Contributions - employee	296,088	272,361	222,825	219,470
Net investment income	2,341,372	336,177	850,887	2,585,528
Benefit payments, including refunds of employee contributions	(1,192,333)	(1,211,475)	(1,109,557)	(1,059,912)
Administrative expense	(13,516)	(11,904)	(11,820)	(14,071)
Other	(2,085)	(142)	(181)	136
Net change in plan fiduciary net position	\$ 2,039,531	\$ 32,474	\$ 496,111	\$ 2,263,262
Plan fiduciary net position - beginning	19,291,501	19,259,027	18,762,916	16,499,651
Plan fiduciary net position - ending (b)	<u>\$ 21,331,032</u>	<u>\$ 19,291,501</u>	<u>\$ 19,259,027</u>	<u>\$ 18,762,913</u>
County's net pension liability - ending (a) - (b)	\$ 3,123,036	\$ 4,215,004	\$ 3,150,437	\$ 2,056,325
Plan fiduciary net position as a percentage of the total pension liability	87.23%	82.07%	85.94%	90.12%
Covered payroll	\$ 5,604,478	\$ 5,447,257	\$ 4,637,626	\$ 4,475,295
County's net pension liability as a percentage of covered payroll	55.72%	77.38%	67.93%	45.95%

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

County of Giles, Virginia
Schedule of Changes in Net Pension Liability and Related Ratios
Industrial Development Authority
For the Years Ended June 30, 2015 through June 30, 2018

	2017	2016	2015	2014
Total pension liability				
Service cost	\$ 11,287	\$ 8,717	\$ 7,149	\$ 6,301
Interest	27,723	25,209	18,995	18,291
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(2)	5,487	10,009	-
Impact in change of proportion	16,846	70,082		
Changes in assumptions	(1,698)	-	-	-
Benefit payments, including refunds of employee contributions	(20,626)	(20,074)	(14,858)	(14,193)
Net change in total pension liability	\$ 33,530	\$ 89,421	\$ 21,295	\$ 10,399
Total pension liability - beginning	389,505	300,084	278,789	268,395
Total pension liability - ending (a)	\$ 423,035	\$ 389,505	\$ 300,084	\$ 278,794
Plan fiduciary net position				
Impact in change of proportion	\$ 13,826	\$ 60,229	\$ -	\$ -
Contributions - employer	10,792	11,725	7,284	7,126
Contributions - employee	5,122	4,513	2,984	2,939
Net investment income	40,504	5,570	11,394	34,623
Benefit payments, including refunds of employee contributions	(20,626)	(20,074)	(14,858)	(14,193)
Administrative expense	(234)	(197)	(158)	(188)
Other	(36)	(2)	(2)	2
Net change in plan fiduciary net position	\$ 49,348	\$ 61,764	\$ 6,644	\$ 30,309
Plan fiduciary net position - beginning	319,661	257,897	251,253	220,949
Plan fiduciary net position - ending (b)	\$ 369,009	\$ 319,661	\$ 257,897	\$ 251,258
Authority's net pension liability - ending (a) - (b)	\$ 54,026	\$ 69,844	\$ 42,187	\$ 27,536
Plan fiduciary net position as a percentage of the total pension liability	87.23%	82.07%	85.94%	90.12%
Covered payroll	\$ 102,799	\$ 72,944	\$ 62,102	\$ 59,137
Authority's net pension liability as a percentage of covered payroll	52.55%	95.75%	67.93%	46.56%

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

County of Giles, Virginia
Schedule of Changes in Net Pension Liability and Related Ratios
Component Unit School Board (nonprofessional)
For the Years Ended June 30, 2015 through June 30, 2018

	2017	2016	2015	2014
Total pension liability				
Service cost	\$ 39,504	\$ 105,253	\$ 108,343	\$ 107,050
Interest	382,689	382,399	366,994	356,957
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(808,538)	(155,047)	69,592	-
Changes in assumptions	(2,083)	-	-	-
Benefit payments, including refunds of employee contributions	(333,910)	(323,028)	(326,696)	(314,534)
Net change in total pension liability	\$ (722,338)	\$ 9,577	\$ 218,233	\$ 149,473
Total pension liability - beginning	5,633,935	5,624,358	5,406,125	5,256,652
Total pension liability - ending (a)	<u>\$ 4,911,597</u>	<u>\$ 5,633,935</u>	<u>\$ 5,624,358</u>	<u>\$ 5,406,125</u>
Plan fiduciary net position				
Contributions - employer	\$ 34,223	\$ 46,775	\$ 141,960	\$ 181,467
Contributions - employee	18,030	18,866	57,024	57,830
Net investment income	499,637	70,476	196,357	601,209
Benefit payments, including refunds of employee contributions	(333,910)	(323,028)	(326,696)	(314,534)
Administrative expense	(3,099)	(2,864)	(2,775)	(3,272)
Other	(435)	(31)	(42)	32
Net change in plan fiduciary net position	\$ 214,446	\$ (189,806)	\$ 65,828	\$ 522,732
Plan fiduciary net position - beginning	4,240,432	4,430,238	4,364,410	3,841,678
Plan fiduciary net position - ending (b)	<u>\$ 4,454,878</u>	<u>\$ 4,240,432</u>	<u>\$ 4,430,238</u>	<u>\$ 4,364,410</u>
School Division's net pension liability - ending (a) - (b)	\$ 456,719	\$ 1,393,503	\$ 1,194,120	\$ 1,041,715
Plan fiduciary net position as a percentage of the total pension liability	90.70%	75.27%	78.77%	80.73%
Covered payroll	\$ 371,866	\$ 380,778	\$ 1,158,779	\$ 1,156,588
School Division's net pension liability as a percentage of covered payroll	122.82%	365.96%	103.05%	90.07%

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

County of Giles, Virginia
Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan
For the Years Ended June 30, 2015 through June 30, 2018

	2017	2016	2015	2014
Employer's Proportion of the Net Pension Liability (Asset)	0.15393%	0.15625%	0.15660%	0.15711%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 18,930,000	\$ 21,897,000	\$ 19,710,000	\$ 18,986,000
Employer's Covered Payroll	12,130,823	11,912,257	11,641,598	11,479,014
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	156.05%	183.82%	169.31%	165.40%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.92%	68.28%	70.68%	70.88%

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

County of Giles, Virginia
Schedule of Employer Contributions
For the Years Ended June 30, 2009 through June 30, 2018

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government					
2018	\$ 647,351	\$ 647,351	\$ -	\$ 5,850,228	11.07%
2017	634,582	634,582	-	5,604,478	11.32%
2016	658,143	658,143	-	5,447,257	12.08%
2015	543,957	543,957	-	4,637,626	11.73%
2014	541,511	541,511	-	4,475,295	12.10%
2013	493,406	493,406	-	4,077,736	12.10%
2012	364,517	364,517	-	3,727,167	9.78%
2011	377,548	377,548	-	3,860,410	9.78%
2010	223,900	223,900	-	3,976,909	5.63%
2009	225,204	225,204	-	4,000,078	5.63%
Component Unit School Board (nonprofessional)					
2018	\$ 35,474	\$ 35,474	\$ -	\$ 378,456	9.37%
2017	35,143	35,143	-	371,866	9.45%
2016	46,766	46,766	-	380,778	12.28%
2015	141,960	141,960	-	1,158,779	12.25%
2014	181,469	181,469	-	1,156,588	15.69%
2013	170,853	170,853	-	1,088,927	15.69%
2012	132,884	132,884	-	1,058,837	12.55%
2011	131,890	131,890	-	1,050,914	12.55%
2010	135,141	135,141	-	1,218,586	11.09%
2009	136,203	136,203	-	1,228,165	11.09%
Component Unit School Board (professional)					
2018	\$ 2,009,000	\$ 2,009,000	\$ -	\$ 12,552,260	16.01%
2017	1,752,000	1,752,000	-	12,130,823	14.44%
2016	1,662,000	1,662,000	-	11,912,257	13.95%
2015	1,682,000	1,682,000	-	11,641,598	14.45%
2014	1,338,453	1,338,453	-	11,479,014	11.66%
2013	1,274,429	1,274,429	-	10,929,923	11.66%
2012	1,228,780	1,228,780	-	19,412,006	6.33%
2011	982,990	982,990	-	11,157,662	8.81%
2010	1,322,115	1,322,115	-	15,006,981	8.81%
2009	1,617,526	1,617,526	-	18,360,114	8.81%
Component Unit IDA					
2018	\$ 10,287	\$ 10,287	\$ -	\$ 92,969	11.06%
2017	10,340	10,340	-	102,799	10.06%
2016	10,905	10,905	-	72,944	14.95%
2015	7,284	7,284	-	62,102	11.73%

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

Schedule is intended to show information for 10 years. Prior to 2015, the IDA's information was consolidated in the County's totals and presented in the County report. Therefore, sufficient information to allocate the prior year balances is not available. Additional years will be included as they become available.

County of Giles, Virginia
Notes to Required Supplementary Information
For the Year Ended June 30, 2018

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2017 are not material.

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

Largest 10 - Non-Hazardous Duty:

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

Largest 10 - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

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

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

All Others (Non 10 Largest) - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Component Unit School Board - Professional Employees

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

County of Giles, Virginia
 Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios
 Component Unit School Board
 For the Year Ended June 30, 2018

	<u>2018</u>
Total OPEB liability	
Service cost	\$ 211,563
Interest	177,659
Changes in assumptions	(166,961)
Differences between expected and actual experience	-
Benefit payments	(409,480)
Net change in total OPEB liability	\$ (187,219)
Total OPEB liability - beginning	5,067,385
Total OPEB liability - ending	\$ <u><u>4,880,166</u></u>
 Covered payroll	 \$ 11,037,600
 School Board's total OPEB liability (asset) as a percentage of covered payroll	 44.21%

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

County of Giles, Virginia
Schedule of County's Share of Total OPEB Liability
For the Year Ended June 30, 2018

Date (1)	Employer's Proportion of the Total OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Total OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Total OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)
<u>Primary Government:</u>				
2018	92.25%	\$ 1,249,186	\$ 5,171,074	24.16%
<u>Component Unit Industrial Development Authority:</u>				
2018	1.30%	\$ 17,604	\$ 72,872	24.16%

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

County of Giles, Virginia
Notes to Required Supplementary Information - School Board OPEB
For the Year Ended June 30, 2018

Valuation Date: 1/1/2017

Measurement Date: 6/30/2018

No assets are accumulated in a trust that meets the criteria in GASB 75 to pay related benefits.

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age normal
Healthcare Cost Trend Rates	8.90% for fiscal year end 2018, decreasing to an ultimate rate of 4.30% over 57 years
Discount Rate	3.50% for fiscal year ending June 30, 2017 3.87% for fiscal year ending June 30, 2018
Inflation	2.50%

County of Giles, Virginia
Notes to Required Supplementary Information - Primary Government and Component Unit IDA OPEB
For the Year Ended June 30, 2018

Valuation Date: 1/1/2017
Measurement Date: 6/30/2018

No assets are accumulated in a trust that meets the criteria in GASB 75 to pay related benefits.

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age normal level % of salary
Discount Rate	3.50% as of June 30, 2017; 3.87% as of June 30, 2018
Inflation	2.50%
Healthcare Trend Rate	The healthcare trend rate assumption starts at 8.70% in 2017 and gradually declines to 4.00% by the year 2087
Salary Increase Rates	3.00%
Retirement Age	The average age at retirement is 62
Mortality Rates	The mortality rates for pre-retirement retirees uses RP-2000 EE Mortality Tables projected to 2020 using scale AA with males set forward 2 years & females set back 3 years. For post-retirement retirees the rates use RP-2000 Combined Mortality Tables projected to 2020 using scale AA with females set back 1 year. For post-disablement retirees the rates use RP-2000 Disabled Mortality Tables with males set back 3 years and no provision for future mortality improvement.

County of Giles, Virginia
Schedule of County's Share of Net OPEB Liability
Group Life Insurance Program
For the Year Ended June 30, 2018

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
<u>Primary Government:</u>					
2017	0.0305%	\$ 458,076	\$ 5,336,911	8.58%	48.86%
<u>Component Unit School Board: (nonprofessional)</u>					
2017	0.0020%	\$ 30,000	\$ 371,866	8.07%	48.86%
<u>Component Unit School Board: (professional)</u>					
2017	0.0658%	\$ 990,000	\$ 12,138,156	8.16%	48.86%
<u>Component Unit Industrial Development Authority:</u>					
2017	0.0005%	\$ 7,924	\$ 97,201	8.15%	48.86%

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

County of Giles, Virginia
Schedule of Employer Contributions
Group Life Insurance Program
For the Years Ended June 30, 2009 through June 30, 2018

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
<u>Primary Government:</u>					
2018	\$ 30,528	\$ 30,528	\$ -	\$ 5,566,890	0.55%
2017	29,226	29,226	-	5,336,911	0.55%
<u>Component Unit School Board: (nonprofessional)</u>					
2018	\$ 2,000	\$ 2,000	\$ -	\$ 378,456	0.53%
2017	2,000	2,000	-	371,866	0.54%
2016	1,828	1,828	-	380,779	0.48%
2015	5,562	5,562	-	1,158,779	0.48%
2014	5,552	5,552	-	1,156,588	0.48%
2013	5,227	5,227	-	1,088,927	0.48%
2012	2,965	2,965	-	1,058,837	0.28%
2011	2,943	2,943	-	1,050,914	0.28%
2010	2,406	2,406	-	1,218,586	0.20%
2009	3,316	3,316	-	1,228,165	0.27%
<u>Component Unit School Board: (professional)</u>					
2018	\$ 65,000	\$ 65,000	\$ -	\$ 12,553,021	0.52%
2017	63,000	63,000	-	12,138,156	0.52%
2016	57,184	57,184	-	11,913,257	0.48%
2015	56,112	56,112	-	11,690,083	0.48%
2014	55,245	55,245	-	11,509,272	0.48%
2013	52,472	52,472	-	10,931,751	0.48%
2012	30,367	30,367	-	10,845,368	0.28%
2011	30,822	30,822	-	11,077,728	0.28%
2010	22,481	22,481	-	11,770,666	0.19%
2009	31,624	31,624	-	11,712,714	0.27%
<u>Component Unit Industrial Development Authority:</u>					
2018	\$ 485	\$ 485	\$ -	\$ 101,390	0.48%
2017	506	506	-	97,201	0.52%

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

Schedule is intended to show information for 10 years. Prior to 2017, the IDA's information was consolidated in the County's totals and presented in the County's report. Therefore sufficient information to allocate the prior year balances is not available. Additional years will be included as they become available.

County of Giles, Virginia
Notes to Required Supplementary Information
Group Life Insurance Program
For the Year Ended June 30, 2018

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

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

General State Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

Teachers

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

SPORS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

VaLORS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

County of Giles, Virginia
Notes to Required Supplementary Information
Group Life Insurance Program
For the Year Ended June 30, 2018 (Continued)

JRS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

Largest Ten Locality Employers - General Employees

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

Non-Largest Ten Locality Employers - General Employees

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

Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Non-Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

County of Giles, Virginia
Schedule of School Board's Share of Net OPEB Liability
Teacher Health Insurance Credit Program (HIC)
For the Year Ended June 30, 2018

Date (1)	Employer's Proportion of the Net HIC OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability (6)
2017	0.1537% \$	1,950,000 \$	12,131,169	16.07%	7.04%

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

County of Giles, Virginia
Schedule of Employer Contributions
Teacher Health Insurance Credit Program (HIC)
For the Years Ended June 30, 2009 through June 30, 2018

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2018	\$ 154,000	\$ 154,000	\$ -	\$ 12,553,021	1.23%
2017	135,000	135,000	-	12,131,169	1.11%
2016	126,281	126,281	-	11,913,257	1.06%
2015	123,419	123,419	-	11,643,292	1.06%
2014	127,534	127,534	-	11,489,582	1.11%
2013	121,322	121,322	-	10,929,923	1.11%
2012	65,072	65,072	-	10,845,368	0.60%
2011	66,046	66,046	-	11,077,728	0.60%
2010	86,597	86,597	-	11,770,801	0.74%
2009	126,497	126,497	-	11,712,714	1.08%

Current year contributions are from School Board records and prior year contributions are from the VRS actuarial valuation performed each year

County of Giles, Virginia
Notes to Required Supplementary Information
Teacher Health Insurance Credit Program (HIC)
For the Year Ended June 30, 2018

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

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

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

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, 2018

	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	\$ -	\$ -	\$ 603	\$ 603
Intergovernmental:				
Local government	-	-	1,351	1,351
Commonwealth	-	350,000	152,117	(197,883)
Federal	-	-	184,182	184,182
Total revenues	\$ -	\$ 350,000	\$ 338,253	\$ (11,747)
EXPENDITURES				
Current:				
General government administration	\$ 20,000	\$ -	\$ -	\$ -
Public works	6,500,000	6,500,000	2,715,092	3,784,908
Community development	-	4,800	619,479	(614,679)
Debt service:				
Principal retirement	424,372	424,372	477,775	(53,403)
Interest and other fiscal charges	565,703	565,703	636,892	(71,189)
Total expenditures	\$ 7,510,075	\$ 7,494,875	\$ 4,449,238	\$ 3,045,637
Excess (deficiency) of revenues over (under) expenditures	\$ (7,510,075)	\$ (7,144,875)	\$ (4,110,985)	\$ 3,033,890
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 1,010,075	\$ 644,875	\$ 1,238,574	\$ 593,699
Issuance of lease revenue bonds	3,500,000	3,500,000	2,163,376	(1,336,624)
Total other financing sources (uses)	\$ 4,510,075	\$ 4,144,875	\$ 3,401,950	\$ (742,925)
Net change in fund balances	\$ (3,000,000)	\$ (3,000,000)	\$ (709,035)	\$ 2,290,965
Fund balances - beginning	3,000,000	3,000,000	1,463,958	(1,536,042)
Fund balances - ending	\$ -	\$ -	\$ 754,923	\$ 754,923

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, 2018

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
ASSETS				
Cash and cash equivalents				
Special Welfare Fund	\$ 74,625	\$ 66,440	\$ (79,145)	\$ 61,920
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
LIABILITIES				
Amounts held for Social Services clients	\$ 74,625	\$ 66,440	\$ (79,145)	\$ 61,920
	<u> </u>	<u> </u>	<u> </u>	<u> </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, 2018

		School Operating Fund
ASSETS		
Cash and cash equivalents	\$	2,253,378
Cash in custody of others		538,776
Receivables (net of allowance for uncollectibles):		
Accounts receivable		575
Due from other governmental units		746,012
Inventories		44,492
Prepaid items		162,681
Total assets	\$	<u>3,745,914</u>
LIABILITIES		
Accounts payable	\$	23,392
Accrued payroll		2,229,986
Total liabilities	\$	<u>2,253,378</u>
FUND BALANCES		
Nonspendable:		
Prepaid items	\$	162,681
Inventory		44,492
Committed		1,285,363
Total fund balances	\$	<u>1,492,536</u>
Total liabilities and fund balances	\$	<u>3,745,914</u>
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:		
Total fund balances per above	\$	1,492,536
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Land	\$	473,652
Buildings and improvements		2,243,879
Machinery, equipment, and vehicles		<u>1,214,834</u>
		3,932,365
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		
Pension related items	\$	2,505,390
OPEB related items		<u>221,000</u>
		2,726,390
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 liabilities	\$	(7,850,166)
Compensated absences		(345,225)
Net pension liability		<u>(19,386,719)</u>
		(27,582,110)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
Pension related items	\$	(2,534,537)
OPEB related items		<u>(305,177)</u>
		(2,839,714)
Net position of governmental activities	\$	<u>(22,270,533)</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, 2018

	School Operating Fund
REVENUES	
Revenue from the use of money and property	\$ 349
Charges for services	557,979
Miscellaneous	100,740
Recovered costs	172,542
Intergovernmental:	
Local government	6,972,864
Commonwealth	15,739,218
Federal	2,488,056
Total revenues	<u>\$ 26,031,748</u>
EXPENDITURES	
Current:	
Education	\$ 26,202,419
Total expenditures	<u>\$ 26,202,419</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (170,671)</u>
Net change in fund balances	\$ (170,671)
Fund balances - beginning	<u>1,663,207</u>
Fund balances - ending	<u><u>\$ 1,492,536</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	\$ (170,671)
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	\$ 135,400
Depreciation expense	<u>(689,990)</u> (554,590)
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.	
Change in compensated absences	\$ (24,308)
OPEB expense	112,042
Pension expense	<u>1,289,110</u> 1,376,844
Change in net position of governmental activities	<u><u>\$ 651,583</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, 2018

	School Operating Fund			Variance with
	Budgeted Amounts			Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Positive <u>(Negative)</u>
REVENUES				
Revenue from the use of money and property	\$ 150	\$ 150	\$ 349	\$ 199
Charges for services	545,635	545,635	557,979	12,344
Miscellaneous	77,100	77,100	100,740	23,640
Recovered costs	624,581	624,581	172,542	(452,039)
Intergovernmental:				
Local government	6,657,571	7,149,738	6,972,864	(176,874)
Commonwealth	16,009,027	16,009,027	15,739,218	(269,809)
Federal	2,299,224	2,299,224	2,488,056	188,832
Total revenues	<u>\$ 26,213,288</u>	<u>\$ 26,705,455</u>	<u>\$ 26,031,748</u>	<u>\$ (673,707)</u>
EXPENDITURES				
Current:				
Education	<u>\$ 26,213,288</u>	<u>\$ 26,705,455</u>	<u>\$ 26,202,419</u>	<u>\$ 503,036</u>
Total expenditures	<u>\$ 26,213,288</u>	<u>\$ 26,705,455</u>	<u>\$ 26,202,419</u>	<u>\$ 503,036</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (170,671)</u>	<u>\$ (170,671)</u>
Net change in fund balances	\$ -	\$ -	\$ (170,671)	\$ (170,671)
Fund balances - beginning	-	-	1,663,207	1,663,207
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,492,536</u>	<u>\$ 1,492,536</u>

Supporting Schedules

County of Giles, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

Schedule 1
Page 1 of 6

<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	\$ 6,570,680	\$ 6,570,680	\$ 6,794,153	\$ 223,473
Real and personal public service corporation taxes	642,865	642,865	696,066	53,201
Personal property taxes	2,142,475	2,142,475	2,305,743	163,268
Mobile home taxes	42,524	42,524	64,154	21,630
Machinery and tools taxes	5,292,000	5,292,000	4,737,290	(554,710)
Merchant's capital	217,585	217,585	208,240	(9,345)
Common carrier	11,642	11,642	12,659	1,017
Penalties	90,000	90,000	122,627	32,627
Interest	50,000	50,000	82,487	32,487
Total general property taxes	\$ 15,059,771	\$ 15,059,771	\$ 15,023,419	\$ (36,352)
Other local taxes:				
Local sales and use taxes	\$ 1,458,792	\$ 1,458,792	\$ 1,407,476	\$ (51,316)
Consumers' utility taxes	241,063	241,063	242,215	1,152
Consumption taxes	53,753	53,753	49,661	(4,092)
Gross receipts tax	10,000	10,000	8,268	(1,732)
Motor vehicle licenses	208,983	208,983	203,855	(5,128)
Local tax on deeds	66,000	66,000	74,728	8,728
Hotel and motel room taxes	103,000	103,000	122,559	19,559
Total other local taxes	\$ 2,141,591	\$ 2,141,591	\$ 2,108,762	\$ (32,829)
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 4,500	\$ 4,500	\$ 3,666	\$ (834)
Land use application fees	912	912	461	(451)
Transfer fees	562	562	607	45
Variance and rezoning fees	5,300	5,300	7,110	1,810
Building permits	30,000	30,000	34,319	4,319
Other permits and other licenses	300	300	-	(300)
Total permits, privilege fees, and regulatory licenses	\$ 41,574	\$ 41,574	\$ 46,163	\$ 4,589
Fines and forfeitures:				
Court fines and forfeitures	\$ 20,000	\$ 20,000	\$ 37,391	\$ 17,391
Revenue from use of money and property:				
Revenue from use of money	\$ 74,000	\$ 74,002	\$ 77,057	\$ 3,055
Revenue from use of property	49,445	49,445	45,830	(3,615)
Total revenue from use of money and property	\$ 123,445	\$ 123,447	\$ 122,887	\$ (560)
Charges for services:				
Charges for law enforcement and traffic control	\$ 8,176	\$ 8,176	\$ 13,818	\$ 5,642
Charges for courthouse maintenance	28,700	28,700	33,737	5,037
Charges for processing arrest fee	1,900	1,900	2,837	937
Charges for Commonwealth's Attorney	3,400	3,400	4,934	1,534
Charges for nonconsecutive jail and blood test/dna fees	350	350	718	368
Charges for law library	1,350	1,350	1,577	227
Charges for courtroom security fee	57,000	57,000	60,962	3,962
Charges for PSA billings	56,000	56,000	56,676	676

County of Giles, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

Schedule 1
Page 2 of 6

<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 parks and recreation	\$ 224,974	\$ 224,974	\$ 217,027	\$ (7,947)
Charges for US forest patrols	7,500	7,500	6,100	(1,400)
Charges for copies	3,800	3,800	2,090	(1,710)
Charges for wellness center fees	186,000	186,000	163,926	(22,074)
Other charges for services	11,050	11,050	14,596	3,546
Total charges for services	\$ 590,200	\$ 590,200	\$ 578,998	\$ (11,202)
Miscellaneous:				
Miscellaneous	\$ 215,800	\$ 226,991	\$ 42,195	\$ (184,796)
ACCE Donations	-	-	486,713	486,713
Total miscellaneous	\$ 215,800	\$ 226,991	\$ 528,908	\$ 301,917
Recovered costs:				
School resource officer	\$ 284,998	\$ 284,998	\$ 284,998	\$ -
Health insurance recoveries	47,928	47,928	22,702	(25,226)
Health department and Social Services	93,000	93,000	241,181	148,181
DMV license agent reimbursement	33,506	33,506	38,723	5,217
PSA recovered costs	120,000	120,000	91,012	(28,988)
Bicentennial Celebration	-	-	110	110
Collections	52,000	52,000	53,924	1,924
Schools	1,151,424	1,151,424	943,019	(208,405)
Fuel reimbursements	172,820	172,820	109,569	(63,251)
Other recovered costs	7,600	7,600	108,859	101,259
Total recovered costs	\$ 1,963,276	\$ 1,963,276	\$ 1,894,097	\$ (69,179)
Total revenue from local sources	\$ 20,155,657	\$ 20,166,850	\$ 20,340,625	\$ 173,775
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' tax	\$ 135,000	\$ 135,000	\$ 254	\$ (134,746)
Mobile home titling tax	22,000	22,000	20,847	(1,153)
Animal friendly plates	305	305	306	1
Motor vehicle rental tax	2,400	2,400	5,748	3,348
State recordation tax	40,000	40,000	46,535	6,535
Communications sales taxes	246,255	246,255	231,348	(14,907)
Personal property tax relief funds	1,227,860	1,227,860	1,227,860	-
Total noncategorical aid	\$ 1,673,820	\$ 1,673,820	\$ 1,532,898	\$ (140,922)
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 351,135	\$ 351,135	\$ 353,009	\$ 1,874
Sheriff	984,732	984,732	987,127	2,395
Commissioner of revenue	113,482	113,482	107,041	(6,441)
Treasurer	101,113	101,113	102,035	922
Registrar/electoral board	40,882	40,882	37,398	(3,484)

County of Giles, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

<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)				
Shared expenses: (Continued)				
Clerk of circuit court	\$ 225,914	\$ 225,914	\$ 233,884	\$ 7,970
Total shared expenses	\$ 1,817,258	\$ 1,817,258	\$ 1,820,494	\$ 3,236
Other categorical aid: (Continued)				
Public assistance and welfare administration	\$ 1,204,338	\$ 1,204,338	\$ 1,124,636	\$ (79,702)
State and Local Foster Care	-	-	7,914	7,914
Comprehensive Services Act program	1,538,458	1,538,458	1,551,884	13,426
Litter control grant	9,683	9,683	9,196	(487)
Juvenile justice	9,000	9,000	9,243	243
Two-for-Life	16,500	16,500	16,746	246
Fire programs	38,084	38,084	34,949	(3,135)
Records Preservation	-	-	18,774	18,774
Circuit court records grant	-	-	12,297	12,297
911 wireless grant	41,000	41,000	44,101	3,101
VA information tech agency grant	-	-	72,413	72,413
Other categorical aid	75,000	194,842	11,745	(183,097)
Total other categorical aid	\$ 2,932,063	\$ 3,051,905	\$ 2,913,898	\$ (138,007)
Total categorical aid	\$ 4,749,321	\$ 4,869,163	\$ 4,734,392	\$ (134,771)
Total revenue from the Commonwealth	\$ 6,423,141	\$ 6,542,983	\$ 6,267,290	\$ (275,693)
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of taxes	\$ 105,000	\$ 105,000	\$ 181,935	\$ 76,935
Categorical aid:				
Public assistance and welfare administration	\$ 1,700,000	\$ 1,700,000	\$ 1,639,800	\$ (60,200)
Comprehensive Services Act program	-	-	111,344	111,344
State and community highway safety grants	5,000	5,000	1,800	(3,200)
Local law enforcement block grants	-	-	1,879	1,879
Total categorical aid	\$ 1,705,000	\$ 1,705,000	\$ 1,754,823	\$ 49,823
Total revenue from the federal government	\$ 1,810,000	\$ 1,810,000	\$ 1,936,758	\$ 126,758
Total General Fund	\$ 28,388,798	\$ 28,519,833	\$ 28,544,673	\$ 24,840
Capital Projects Fund:				
County Capital Improvements Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 603	\$ 603

County of Giles, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

<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>
Capital Projects Fund: (Continued)				
County Capital Improvements Fund: (Continued)				
Intergovernmental:				
Revenues from local governments:				
Contribution from Giles County IDA	\$ -	\$ -	\$ 1,351	\$ 1,351
Revenue from the Commonwealth:				
Categorical aid:				
VDOT Grants	\$ -	\$ 350,000	\$ 152,117	\$ (197,883)
Revenue from the federal government:				
Categorical aid:				
TEA-21 grant	\$ -	\$ -	\$ 184,182	\$ 184,182
Total County Capital Improvements Fund	\$ -	\$ 350,000	\$ 338,253	\$ (11,747)
Total Primary Government	\$ 28,388,798	\$ 28,869,833	\$ 28,882,926	\$ 13,093
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	\$ -	\$ -	\$ 97	\$ 97
Revenue from the use of property	150	150	252	102
Total revenue from use of money and property	\$ 150	\$ 150	\$ 349	\$ 199
Charges for services:				
Charges for education	\$ 63,140	\$ 63,140	\$ 38,172	\$ (24,968)
Cafeteria sales	461,695	461,695	474,807	13,112
Transportation of pupils	5,300	5,300	-	(5,300)
Other charges for services	15,500	15,500	45,000	29,500
Total charges for services	\$ 545,635	\$ 545,635	\$ 557,979	\$ 12,344
Miscellaneous:				
Miscellaneous	\$ 77,100	\$ 77,100	\$ 100,740	\$ 23,640
Recovered costs:				
Rebates and refunds	\$ 624,581	\$ 624,581	\$ 172,542	\$ (452,039)
Total revenue from local sources	\$ 1,247,466	\$ 1,247,466	\$ 831,610	\$ (415,856)
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Giles, Virginia	\$ 6,657,571	\$ 7,149,738	\$ 6,972,864	\$ (176,874)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 2,757,919	\$ 2,757,919	\$ 2,608,066	\$ (149,853)
Basic school aid	7,701,981	7,701,981	7,699,160	(2,821)

County of Giles, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

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)				
Remedial summer education	\$ 23,642	\$ 23,642	\$ 22,551	\$ (1,091)
Regular foster care	7,170	7,170	3,095	(4,075)
Gifted and talented	83,149	83,149	83,171	22
Remedial education	273,700	273,700	273,772	72
School food	6,531	6,531	27,734	21,203
Special education	919,840	919,840	920,083	243
Textbook payment	190,170	190,170	190,298	128
Vocational education - occupational/technology	2,600	2,600	32,193	29,593
Vocational standards of quality payments	419,212	419,212	419,322	110
Vocational adult education	80,728	80,728	16,265	(64,463)
Social security fringe benefits	504,093	504,093	504,226	133
Vocational education - equipment	4,500	4,500	4,708	208
Retirement fringe benefits	1,290,430	1,290,430	1,155,736	(134,694)
Group life fringe benefits	34,646	34,646	34,655	9
State lottery payments	474,852	474,852	475,411	559
Early reading intervention	52,152	52,152	56,893	4,741
Homebound education	-	-	33,196	33,196
Virginia preschool initiative	97,829	97,829	97,829	-
Primary class size	256,081	256,081	269,926	13,845
Technology	-	-	2,449	2,449
Standards of Learning algebra readiness	40,146	40,146	31,154	(8,992)
CTE Certification Grant	-	-	42,043	42,043
E-rate	162,000	162,000	76,909	(85,091)
Special education - foster children	21,813	21,813	3,056	(18,757)
At risk payments	211,471	211,471	214,445	2,974
GED prep program	7,859	7,859	8,294	435
English as a second language	-	-	4,758	4,758
VPSA technology grants	235,200	235,200	238,192	2,992
Supplemental support	80,839	80,839	80,883	44
Project graduation	-	-	4,123	4,123
Other state funds	68,474	68,474	104,622	36,148
Total categorical aid	\$ 16,009,027	\$ 16,009,027	\$ 15,739,218	\$ (269,809)
Total revenue from the Commonwealth	\$ 16,009,027	\$ 16,009,027	\$ 15,739,218	\$ (269,809)
Revenue from the federal government:				
Categorical aid:				
Schools and roads	\$ 70,581	\$ 70,581	\$ 67,426	\$ (3,155)
Title I	470,294	470,294	523,684	53,390
Title VI-B, special education flow-through	503,635	503,635	429,673	(73,962)
Preschool expansion grant	559,755	559,755	468,321	(91,434)
Vocational education	36,294	36,294	45,063	8,769
Summer food service program	20,965	20,965	10,552	(10,413)
Title II	81,326	81,326	75,014	(6,312)
Special Education - preschool	14,374	14,374	16,717	2,343

County of Giles, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

<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 federal government: (Continued)				
Categorical aid: (Continued)				
National school lunch program	\$ 542,000	\$ 542,000	\$ 812,328	\$ 270,328
School breakfast program	-	-	26,839	26,839
Title IV Part A	-	-	12,439	12,439
Total categorical aid	<u>\$ 2,299,224</u>	<u>\$ 2,299,224</u>	<u>\$ 2,488,056</u>	<u>\$ 188,832</u>
Total revenue from the federal government	<u>\$ 2,299,224</u>	<u>\$ 2,299,224</u>	<u>\$ 2,488,056</u>	<u>\$ 188,832</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 26,213,288</u>	<u>\$ 26,705,455</u>	<u>\$ 26,031,748</u>	<u>\$ (673,707)</u>

County of Giles, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

<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	\$ 123,124	\$ 133,387	\$ 133,088	\$ 299
General and financial administration:				
County administrator	\$ 497,830	\$ 732,216	\$ 731,538	\$ 678
Legal services	159,263	208,552	208,656	(104)
Commissioner of revenue	327,617	337,472	337,812	(340)
Treasurer	520,854	649,230	533,957	115,273
PSA billing and collection	-	76,202	15,219	60,983
Department of motor vehicles	-	15,267	8,825	6,442
Total general and financial administration	\$ 1,505,564	\$ 2,018,939	\$ 1,836,007	\$ 182,932
Board of elections:				
Registrar	\$ 173,701	\$ 168,901	\$ 168,396	\$ 505
Total general government administration	\$ 1,802,389	\$ 2,321,227	\$ 2,137,491	\$ 183,736
Judicial administration:				
Courts:				
Circuit court	\$ 7,250	\$ 5,650	\$ 5,196	\$ 454
General district court	18,671	18,671	18,584	87
Magistrate	200	-	-	-
Juvenile and domestic court	19,050	9,575	7,576	1,999
Clerk of the circuit court	376,174	388,056	387,892	164
Law library	3,500	3,700	4,111	(411)
Total courts	\$ 424,845	\$ 425,652	\$ 423,359	\$ 2,293
Commonwealth's attorney:				
Commonwealth's attorney	\$ 456,666	\$ 458,739	\$ 458,880	\$ (141)
Total judicial administration	\$ 881,511	\$ 884,391	\$ 882,239	\$ 2,152
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 2,241,111	\$ 2,371,226	\$ 2,333,917	\$ 37,309
Criminal justice training	19,500	21,375	21,375	-
Total law enforcement and traffic control	\$ 2,260,611	\$ 2,392,601	\$ 2,355,292	\$ 37,309
Fire and rescue services:				
Fire and rescue	\$ -	\$ 202,458	\$ 202,172	\$ 286
GIS system development	111,803	106,803	106,183	620
Ambulance service	676,093	447,285	397,279	50,006
Total fire and rescue services	\$ 787,896	\$ 756,546	\$ 705,634	\$ 50,912
Correction and detention:				
New River Valley Regional Jail	\$ 1,139,164	\$ 1,170,393	\$ 1,170,293	\$ 100
NRV juvenile detention	182,056	218,981	218,981	-

County of Giles, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

<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)				
Correction and detention: (Continued)				
Total correction and detention	\$ 1,321,220	\$ 1,389,374	\$ 1,389,274	\$ 100
Inspections:				
Building official	\$ 119,609	\$ 125,116	\$ 123,992	\$ 1,124
Other protection:				
Animal control	\$ 189,806	\$ 264,845	\$ 261,852	\$ 2,993
Medical examiner	500	200	200	-
Emergency services	69,872	69,872	-	69,872
Inmate work program	176,871	158,227	154,191	4,036
Haz-mat services	6,592	198	197	1
Probation office	-	52,759	-	52,759
School Resource Officer	292,304	391,804	386,492	5,312
US forest service	11,540	11,540	3,755	7,785
Law enforcement grants	-	2,250	2,183	67
Total other protection	\$ 747,485	\$ 951,695	\$ 808,870	\$ 142,825
Total public safety	\$ 5,236,821	\$ 5,615,332	\$ 5,383,062	\$ 232,270
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ 150	\$ -	\$ -	\$ -
Sanitation and waste removal:				
Landfill monitoring	\$ 72,400	\$ 49,108	\$ 51,112	\$ (2,004)
Weed control	3,000	2,926	2,926	-
Total sanitation and waste removal	\$ 75,400	\$ 52,034	\$ 54,038	\$ (2,004)
Maintenance of general buildings and grounds:				
General properties	\$ 1,956,681	\$ 897,045	\$ 848,126	\$ 48,919
Total public works	\$ 2,032,231	\$ 949,079	\$ 902,164	\$ 46,915
Health and welfare:				
Health:				
Supplement of local health department	\$ 127,428	\$ 130,136	\$ 130,136	\$ -
Mental health and mental retardation:				
Community services board	\$ 120,508	\$ 52,994	\$ 52,994	\$ -
Welfare:				
Comprehensive services	\$ 2,081,315	\$ 2,081,315	\$ 2,438,535	\$ (357,220)
Welfare administration and public assistance	3,489,471	3,489,871	3,198,907	290,964
Fairview home	-	18,865	18,865	-
NRVSS nutrition program	-	2,900	2,080	820
NRV disability services board	-	1,818	1,818	-

County of Giles, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

<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)				
Health and welfare: (Continued)				
Welfare: (Continued)				
New River community action	\$ -	\$ 15,082	\$ 15,082	\$ -
Women's resource center	-	5,574	5,574	-
Free clinic of the NRV, Inc.	-	8,000	8,000	-
Area agency on aging	-	8,075	9,034	(959)
Senior center	81,377	83,497	83,386	111
Literacy volunteers of America	-	550	550	-
State and local hospitalization	-	600	600	-
NRV cares	-	250	-	250
Total welfare	\$ 5,652,163	\$ 5,716,397	\$ 5,782,431	\$ (66,034)
Total health and welfare	\$ 5,900,099	\$ 5,899,527	\$ 5,965,561	\$ (66,034)
Education:				
Educational costs:				
Contributions to Community College	\$ 130,413	\$ 8,998	\$ 8,998	\$ -
Contribution to County School Board	6,657,571	7,149,738	6,972,864	176,874
School Transfer Employees	-	1,345,834	1,345,535	299
Total education	\$ 6,787,984	\$ 8,504,570	\$ 8,327,397	\$ 177,173
Parks, recreation, and cultural:				
Parks and recreation:				
Swimming pool	\$ 730	\$ 730	\$ 2,567	\$ (1,837)
Golf course	157,832	153,832	164,560	(10,728)
Castle Rock operations	109,295	163,840	150,521	13,319
Wellness center	180,822	232,630	228,469	4,161
Other recreation and cultural enrichment	81,918	84,318	90,856	(6,538)
Total parks and recreation	\$ 530,597	\$ 635,350	\$ 636,973	\$ (1,623)
Library:				
Contribution to county library	\$ 29,250	\$ 29,250	\$ 29,250	\$ -
Total parks, recreation, and cultural	\$ 559,847	\$ 664,600	\$ 666,223	\$ (1,623)
Community development:				
Planning and community development:				
County planner	\$ 89,474	\$ 97,674	\$ 97,621	\$ 53
Planning commission	18,026	20,488	18,484	2,004
Contribution to IDA	2,234,335	2,574,335	1,564,222	1,010,113
Zoning Board	538	-	-	-
Tourism	136,039	136,039	135,747	292
Other community development	-	121,415	562,375	(440,960)
Total planning and community development	\$ 2,478,412	\$ 2,949,951	\$ 2,378,449	\$ 571,502
Environmental management:				
Contributions to soil and water districts	\$ 13,000	\$ 13,000	\$ 13,000	\$ -

County of Giles, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

<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)				
Community development: (Continued)				
Cooperative extension program:				
Extension office	\$ 67,080	\$ 58,580	\$ 58,240	\$ 340
Total community development	\$ 2,558,492	\$ 3,021,531	\$ 2,449,689	\$ 571,842
Nondepartmental:				
Fringe benefits and fuel charges	\$ 713,728	\$ 622,816	\$ 436,263	\$ 186,553
Debt service:				
Principal retirement	\$ 1,013,666	\$ 1,013,664	\$ 1,101,069	\$ (87,405)
Interest and other fiscal charges	178,882	178,882	136,142	42,740
Total debt service	\$ 1,192,548	\$ 1,192,546	\$ 1,237,211	\$ (44,665)
Total General Fund	\$ 27,665,650	\$ 29,675,619	\$ 28,387,300	\$ 1,288,319
Capital Projects Fund:				
County Capital Improvements Fund:				
General and financial administration:				
Information Technology	\$ 20,000	\$ -	\$ -	\$ -
Public Works:				
Public safety building	\$ 6,500,000	\$ 6,500,000	\$ 2,715,092	\$ 3,784,908
Community development:				
Planning and community development:				
Economic development	\$ -	\$ -	\$ 3,219	\$ (3,219)
VDOT Sharing Project	-	-	571,440	(571,440)
Other capital projects	-	4,800	44,820	(40,020)
Total community development	\$ -	\$ 4,800	\$ 619,479	\$ (614,679)
Debt service:				
Principal retirement	\$ 424,372	\$ 424,372	\$ 477,775	\$ (53,403)
Interest and other fiscal charges	565,703	565,703	636,892	(71,189)
Total debt service	\$ 990,075	\$ 990,075	\$ 1,114,667	\$ (124,592)
Total County Capital Improvements Fund	\$ 7,510,075	\$ 7,494,875	\$ 4,449,238	\$ 3,045,637
Total Primary Government	\$ 35,175,725	\$ 37,170,494	\$ 32,836,538	\$ 4,333,956
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Education:				
Instruction costs:				
Instruction costs	\$ 18,212,553	\$ 18,675,328	\$ 18,373,919	\$ 301,409

County of Giles, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

<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: (Continued)				
School Operating Fund: (Continued)				
Education: (Continued)				
Operating costs:				
Attendance and health services	\$ 1,339,446	\$ 1,339,446	\$ 1,267,038	\$ 72,408
Pupil transportation	1,410,424	1,410,424	1,082,407	328,017
Operation and maintenance of school plant	2,616,030	2,616,030	2,646,102	(30,072)
Facilities	85,111	85,111	132,873	(47,762)
Technology	1,377,677	1,377,677	1,449,691	(72,014)
Total operating costs	<u>\$ 6,828,688</u>	<u>\$ 6,828,688</u>	<u>\$ 6,578,111</u>	<u>\$ 250,577</u>
School food services:				
Administration of school food program	<u>\$ 1,172,047</u>	<u>\$ 1,201,439</u>	<u>\$ 1,250,389</u>	<u>\$ (48,950)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 26,213,288</u>	<u>\$ 26,705,455</u>	<u>\$ 26,202,419</u>	<u>\$ 503,036</u>

Other Statistical Information

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
2017-18	\$ 2,135,564	\$ 908,019	\$ 5,008,127	\$ 2,036,218	\$ 5,759,377	\$ 9,015,261	\$ 668,902	\$ 3,139,891	\$ -	\$ 683,365	\$ 1,773,159	\$ 31,127,883
2016-17	1,951,788	974,122	4,964,595	623,864	5,461,798	7,225,328	671,035	1,928,771	-	743,619	1,561,238	26,106,158
2015-16	1,441,831	797,006	4,007,034	1,319,630	4,795,609	8,788,324	528,821	1,816,107	-	927,185	1,649,943	26,071,490
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

(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						
	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	Total
2017-18	\$ 1,416,939	\$ 6,489,215	\$ 502,432	\$ 14,912,778	\$ 2,108,762	\$ -	\$ -	\$ 123,490	\$ 528,908	\$ 1,714,833	\$ -	\$ 27,797,357
2016-17	1,305,764	6,342,111	-	14,956,758	1,981,807	-	-	123,129	171,794	1,753,834	-	26,635,197
2015-16	1,282,060	5,559,330	162,150	13,738,261	2,104,456	-	-	132,912	160,325	1,746,646	-	24,886,140
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

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
2017-18	\$ 2,137,491	\$ 882,239	\$ 5,383,062	\$ 3,617,256	\$ 5,965,561	\$ 27,556,952	\$ 666,223	\$ 3,069,168	\$ 436,263	\$ 2,351,878	\$ 52,066,093
2016-17	1,995,494	926,525	5,195,900	3,191,385	5,551,415	27,037,329	685,394	2,093,270	356,710	2,436,804	49,470,226
2015-16	1,997,836	784,958	4,623,190	1,353,497	4,901,844	26,086,780	693,810	1,734,767	563,217	2,918,832	45,658,731
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

(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
2017-18	\$ 15,023,419	\$ 2,108,762	\$ 46,163	\$ 37,391	\$ 123,839	\$ 1,136,977	\$ 629,648	\$ 2,066,639	\$ 26,767,621	\$ 47,940,459			
2016-17	14,883,081	1,981,807	41,617	11,634	126,728	1,147,965	257,991	2,561,897	25,843,221	46,855,941			
2015-16	13,716,313	2,104,456	44,814	33,190	131,849	1,042,098	179,437	2,296,096	25,285,297	44,833,550			
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			

(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
2017-18	\$ 15,880,882	\$ 15,508,069	97.65%	\$ 534,678	16,042,747	101.02%	\$ 904,894	5.70%
2016-17	15,928,638	15,379,762	96.55%	563,468	15,943,230	100.09%	913,294	5.73%
2015-16	14,755,944	14,342,221	97.20%	454,873	14,797,094	100.28%	897,336	6.08%
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%

(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
2017-18	\$ 1,065,428,900	\$ 188,297,356	\$ 219,296,669	\$ 110,106,196	\$ 24,865,920	\$ 1,172,100	\$ 1,609,167,141
2016-17	1,060,918,050	186,038,501	225,237,446	107,143,331	25,021,646	1,062,601	1,605,421,575
2015-16	1,057,108,100	179,900,764	359,672,173	141,544,743	23,023,871	954,318	1,762,203,969
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

(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
2017-18	\$ 0.63	\$ 1.98	\$ 2.16	\$ 0.83	\$ 1.08
2016-17	0.63	1.98	2.16	0.83	1.01
2015-16	0.61	1.96	1.06	0.81	1.01
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	-

(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
2017-18	17,286	\$ 1,609,167	\$ 20,866,490	1.30%	\$ 1,207
2016-17	17,286	1,605,422	20,088,519	1.25%	1,162
2015-16	17,286	1,762,204	21,475,282	1.22%	1,242
2014-15	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

(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
2017-18	\$ 1,578,844	\$ 773,034	\$ 2,351,878	\$ 52,066,093	4.52%
2016-17	1,527,632	909,172	2,436,804	49,470,226	4.93%
2015-16	1,913,399	1,005,433	2,918,832	45,658,731	6.39%
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%

(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, 2018, and the related notes to the financial statements, which collectively comprise the County of Giles, Virginia's basic financial statements and have issued our report thereon dated December 18, 2018.

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.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item [2018-001].

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.



Blacksburg, Virginia
December 18, 2018

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 the Uniform Guidance

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 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, 2018. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the County of 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County of 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, 2018.

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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County of 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Blacksburg, Virginia
December 18, 2018

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

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:					
State Department of Agriculture:					
Food Distribution-Schools (Note 3)	10.555	Not available	\$	77,816	
Department of Education:					
National School Lunch Program	10.555	40254	509,125	\$	586,941
National School Lunch Program Subtotal					
School Breakfast Program	10.553	40253			215,124
State Department of Agriculture:					
Food Distribution-Schools (Note 3)	10.559	Not available	\$	1,654	
Department of Education:					
Summer Food Service Program for Children	10.559	Not available	37,391	\$	39,045 \$ 841,110
Department of Social Services:					
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010117,0010118, 0040117,0040118			214,698
Department of Education:					
Child Nutrition Discretionary Grants Limited Availability	10.579	Not available			8,609
Schools and Roads - Grants to States	10.665	43841			67,426
Total Department of Agriculture					\$ 1,131,843
DEPARTMENT OF HEALTH AND HUMAN SERVICES:					
Pass Through Payments:					
Department of Social Services:					
Promoting Safe and Stable Families	93.556	0950116,0950117		\$	17,311
Temporary Assistance for Needy Families	93.558	0400117,0400118			175,801
Refugee and Entrant Assistance - State Administered Programs	93.566	0500117,0500118			252
Low-Income Home Energy Assistance	93.568	0600417,0600418			24,536
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760117,0760118			29,351
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900116,0900117			554
Foster Care - Title IV-E	93.658	1100117,1100118			262,560
Adoption Assistance	93.659	1120117,1120118			552,252
Social Services Block Grant	93.667	1000117,1000118			240,593
Chafee Foster Care Independence Program	93.674	9150117,9150118			2,315
Children's Health Insurance Program	93.767	0540117,0540118			8,505
Medical Assistance Program	93.778	1200117,1200118			222,416
Total Department of Health and Human Services					\$ 1,536,446
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:					
Pass Through Payments:					
Department of Housing and Community Development:					
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	HCD 50790		\$	179,133
DEPARTMENT OF JUSTICE:					
Direct Payments:					
Department of Criminal Justice Services:					
Edward Byrne Memorial Justice Assistance Grant Program	16.738	Not applicable		\$	1,879
DEPARTMENT OF EDUCATION:					
Pass Through Payments:					
Department of Education:					
Title I Grants to Local Educational Agencies	84.010	42901		\$	523,684
Special Education-Grants to States	84.027	43071	\$	429,673	
Special Education-Preschool Grants	84.173	62521	16,717		446,390
Career and Technical Education: Basic Grants to States	84.048	61095, 61159, 86651			45,063
Supporting Effective Instruction State Grant (formerly Improving Teacher Quality State Grants)	84.367	61480			75,014
Preschool Development Grants	84.419	40003, 40255			468,321
Student Support and Academic Enrichment Grants	84.424	60281			12,439
Total Department of Education					\$ 1,570,911
DEPARTMENT OF TRANSPORTATION:					
Pass Through Payments:					
Department of Motor Vehicles:					
State and Community Highway Safety	20.600	SC1757168		\$	1,800

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Federal Grantor/ State Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<i>Department of Transportation:</i>			
Highway Planning and Construction (TEA-21)	20.205	Not available	\$ 184,182
Total Department of Transportation			\$ 185,982
Total Expenditures of Federal Awards			\$ 4,606,194

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 award activity of County of Giles, Virginia under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of 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 Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

(3) The County did not elect the 10% de minimus indirect cost rate because they only request direct costs for reimbursement.

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, 2018, Giles County, Virginia had food commodities totaling \$79,470 in inventory.

Note 4 -- Subrecipients

The County did not have any subrecipients for the year ended June 30, 2018.

Note 5--Loans and Loan Guarantees

The County did not have any loans or loan guarantees which are subject to reporting requirements for the current year.

Note 6 -- 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	\$ 2,120,940
Less: Payments in lieu of taxes	(181,935)
Water Department Fund - Contributions in Aid of Construction	166,133
Total primary government	\$ 2,105,138
Component Units:	
School Board	\$ 2,488,056
Industrial Development Authority	13,000
Total Component Units	2,501,056
Total Federal Expenditures per Basic Financial Statements	\$ 4,606,194
Federal expenditures per the Schedule of Expenditures of Federal Awards	\$ 4,606,194

County of Giles, Virginia

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

Section I - Summary of Auditors' Results

Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	No

Identification of major programs:

CFDA #	Name of Federal Program or Cluster
10.553/10.555/10.559 93.659	Child Nutrition Cluster Adoption Assistance

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

County of Giles, Virginia

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

Section II - Financial Statement Findings

2018-001

Criteria: The Code of Virginia allows local departments of social services (LDSS) to accept and expend funds for children placed by or entrusted to the board when there is no appointed guardian. The statute requires the LDSS to maintain separate accounts or subsidiary ledgers to track the balances of each child.

Condition: The Special Welfare subsidiary balances at the Department of Social Services do not reconcile to the control account. On the County's side, subsidiary balances are not being maintained for Comprehensive Services Act (CSA) children.

Effect of Condition: Unable to verify balances of children in the custody of the LDSS or the County.

Cause of Condition: On the LDSS side, the finance manager that is new to her position has not been trained on how to use the software tracking the special welfare balances. The County took over the CSA program and didn't know that subsidiary balances need to be maintained.

Recommendation: The LDSS needs to provide training to the finance manager on how to use the Thomas Brothers' software or go back to tracking the balances in a manual ledger. The County needs to set up subsidiary accounts for each CSA child in their custody.

Management's Response: The LDSS has contacted the software provider to help get the accounts reconciled and provide training. The County will set up subsidiary ledgers to track balances separately.

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 findings or questioned costs in prior year.