

COUNTY OF GILES, VIRGINIA

FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2014

COUNTY OF GILES, VIRGINIA
FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2014

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COUNTY OF GILES, VIRGINIA
FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2014

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INTRODUCTORY SECTION

COUNTY OF GILES, VIRGINIA

BOARD OF SUPERVISORS

Scott Dunn, Vice Chairman
Richard McCoy

Barbara Hobbs, Chair

Larry Williams
Paul Baker

COUNTY SCHOOL BOARD

Ronald B. Whitehead, Vice Chairman
Drema K. McMahon

J. Lewis Webb, Chair

Joseph M. Gollehon, Jr.
Eric G. Gentry

Amanda Tickle, Clerk

SOCIAL SERVICES BOARD

Tom Spangler
Barbara Hobbs
Clara O'Brien

Giles Lester, Chair

Gina Franklin
Claude Wimmer
Donna Collins, Clerk

OTHER OFFICIALS

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

FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

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

Report on 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 County of Giles, Virginia, as of and for the year ended June 30, 2014, 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 auditor's 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 County of Giles, Virginia, as of June 30, 2014, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and schedule of pension and OPEB funding progress on pages 58 and 59, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basis financial statements taken as a whole.

Management has omitted the 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 the missing information.

Other Information

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

Other Information (Continued)

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 22, 2014, on our consideration of County of Giles, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Giles, Virginia's internal control over financial reporting and compliance.

Robinson, Turner, & Associates

Blacksburg, Virginia
December 22, 2014

Basic Financial Statements

County of Giles, Virginia
Statement of Net Position
June 30, 2014

	Primary Government			Component	Component
	Governmental	Business-type	Total	Unit	Unit
	Activities	Activities		School Board	IDA
ASSETS					
Cash and cash equivalents	\$ 8,426,934	\$ 31,446	\$ 8,458,380	\$ 2,991,414	\$
Cash in custody of others				81,083	
Receivables (net of allowance for uncollectibles):					
Taxes receivable	3,402,815		3,402,815		
Other local taxes receivable	78,546		78,546		
Accounts receivable	5,058	62,473	67,531	20,484	
Internal balances	1,057,898	(1,057,898)			
Due from primary government					
Due from other governmental units	981,309		981,309	696,447	2,481
Inventories (Commodities)				48,701	
Prepaid items				123,339	
Restricted assets:					
Cash and cash equivalents (in custody of others)				308,087	
Investments	472,766	2,461,572	2,934,338		
Notes receivable					702,000
Inventories (Land and buildings held for resale)					1,705,481
Capital assets (net of accumulated depreciation):					
Land	530,530	13,000	543,530	473,652	618,634
Buildings and improvements	21,684,275		21,684,275	2,488,087	8,254,209
Machinery and equipment	1,111,742	180,840	1,292,582	1,165,315	
Infrastructure		10,348,245	10,348,245		
Construction in progress	79,598	642,846	722,444	621,846	
Total assets	\$ 37,831,471	\$ 12,682,524	\$ 50,513,995	\$ 9,018,455	\$ 11,282,805
LIABILITIES					
Accounts payable	\$ 307,854	\$ 81,640	\$ 389,494	\$ 16,467	\$ 285,712
Reconciled overdraft					32,232
Retainage payable	155,487		155,487		14,881
Accrued payroll				2,094,853	
Customers' deposits		21,400	21,400	5,000	
Accrued interest payable	196,318	72,623	268,941		66,197
Due to component unit	2,481		2,481		
Long-term liabilities:					
Due within one year	2,334,626	244,969	2,579,595	310,779	339,997
Due in more than one year	25,771,377	8,328,541	34,099,918	393,263	6,507,951
Total liabilities	\$ 28,768,143	\$ 8,749,173	\$ 37,517,316	\$ 2,820,362	\$ 7,246,970
DEFERRED INFLOWS OF RESOURCES					
Deferred revenue - property taxes	\$ 2,992,059	\$ -	\$ 2,992,059	\$ -	\$ -
NET POSITION					
Net investment in capital assets	\$ 94,837	\$ 5,133,891	\$ 5,228,728	\$ 4,748,900	\$ 2,024,895
Restricted:					
School cafeteria				308,087	
Unrestricted	5,976,432	(1,200,540)	4,775,892	1,141,106	2,010,940
Total Net Position	\$ 6,071,269	\$ 3,933,351	\$ 10,004,620	\$ 6,198,093	\$ 4,035,835

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, 2014

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions		Total	Component Units		
			Operating Grants and Contributions	Capital Grants and Contributions		Governmental Activities	Primary Government Business-type Activities	IDA
PRIMARY GOVERNMENT:								
Governmental activities:								
General government administration	\$ 1,697,198	\$ 54,643	\$ 252,869	\$ -	\$ (1,389,686)			
Judicial administration	810,317	4,973	553,828		(251,516)			
Public safety	4,662,815	183,351	1,106,132		(3,373,332)			
Public works	897,488	30,052	9,589		(857,847)			
Health and welfare	4,107,908		3,061,365		(1,046,543)			
Education	7,837,326				(7,837,326)			
Parks, recreation, and cultural	742,703	424,055	17,350		(301,298)			
Community development	933,299	3,215			(930,084)			
Interest on long-term debt	961,132				(961,132)			
Total governmental activities	\$ 22,650,186	\$ 700,289	\$ 5,001,133	\$ -	\$ (16,948,764)			
Business-type activities:								
Water department	\$ 1,737,460	\$ 531,636	\$ -	\$ 54,727	\$ (1,151,097)			
Total primary government	\$ 24,387,646	\$ 1,231,925	\$ 5,001,133	\$ 54,727	\$ (16,948,764)			
COMPONENT UNITS:								
School Board	\$ 25,989,145	\$ 433,615	\$ 16,931,482	\$ -				
Industrial Development Authority (IDA)	1,403,454	400,055						
Total component units	\$ 27,392,599	\$ 833,670	\$ 16,931,482	\$ -				
General revenues:								
General property taxes					\$ 12,476,520			
Other local taxes:								
Local Sales and use taxes					1,279,513			
Consumers' utility taxes					241,391			
Consumption taxes					55,684			
Gross receipts tax					5,028			
Motor vehicle licenses					206,936			
Local tax on deeds					76,644			
Hotel and motel room taxes					91,698			
Unrestricted revenues from use of money and property					166,383			
Miscellaneous					43,716			
Contribution from County of Giles, Virginia					4,420			
Grants and contributions not restricted to specific programs								
Transfers					1,767,544			
Total general revenues and transfers					(831,795)			
Change in net position					\$ 15,579,262			
Net position - beginning					\$ (1,369,502)			
Net position - ending					\$ 14,209,760			

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

County of Giles, Virginia
Balance Sheet
Governmental Funds
June 30, 2014

Exhibit 3

	<u>General</u>	<u>County Capital Improvements</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 4,797,439	\$ 3,629,495	\$ 8,426,934
Receivables (net of allowance for uncollectibles):			
Taxes receivable	3,402,815	-	3,402,815
Other local taxes	78,546	-	78,546
Accounts receivable	5,058	-	5,058
Due from other funds	1,057,898	-	1,057,898
Due from other governmental units	981,309	-	981,309
Restricted assets:			
Investments	-	472,766	\$ 472,766
Total assets	\$ 10,323,065	\$ 4,102,261	\$ 14,425,326
LIABILITIES			
Accounts payable	\$ 301,992	\$ 5,862	\$ 307,854
Retainage payable	-	155,487	155,487
Due to component unit	-	2,481	2,481
Total liabilities	\$ 301,992	\$ 163,830	\$ 465,822
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - property taxes	\$ 3,498,867	\$ -	\$ 3,498,867
FUND BALANCES			
Restricted			
Capital projects fund	\$ -	\$ 3,938,431	\$ 3,938,431
Unassigned	6,522,206	-	6,522,206
Total fund balances	\$ 6,522,206	\$ 3,938,431	\$ 10,460,637
Total liabilities, deferred inflows of resources, and fund balances	\$ 10,323,065	\$ 4,102,261	\$ 14,425,326

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, 2014

Exhibit 4

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 10,460,637
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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	79,598	
Buildings and improvements	21,684,275	
Machinery and equipment	<u>1,111,742</u>	23,406,145

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	506,808
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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	\$ (5,613,742)	
Lease revenue bonds	(19,537,401)	
Unamortized bond premium	(1,917,731)	
Capital lease	(180,865)	
Landfill accrued closure/postclosure costs	(177,085)	
Net OPEB obligation	(131,133)	
Compensated absences	(548,046)	
Accrued interest payable	<u>(196,318)</u>	(28,302,321)

Net position of governmental activities	<u>\$ 6,071,269</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 Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2014

	County Capital		
	General	Improvements	Total
REVENUES			
General property taxes	\$ 12,485,742	\$ -	\$ 12,485,742
Other local taxes	1,956,894	-	1,956,894
Permits, privilege fees, and regulatory licenses	31,809	-	31,809
Fines and forfeitures	62,616	-	62,616
Revenue from the use of money and property	164,944	1,439	166,383
Charges for services	605,864	-	605,864
Miscellaneous	43,716	-	43,716
Recovered costs	1,059,665	-	1,059,665
Intergovernmental:			
Local government	-	29,743	29,743
Commonwealth	5,253,340	-	5,253,340
Federal	1,515,337	-	1,515,337
Total revenues	\$ 23,179,927	\$ 31,182	\$ 23,211,109
EXPENDITURES			
Current:			
General government administration	\$ 1,491,870	\$ 223,376	\$ 1,715,246
Judicial administration	751,023	-	751,023
Public safety	4,794,464	64,997	4,859,461
Public works	764,931	-	764,931
Health and welfare	4,183,873	-	4,183,873
Education	6,107,652	-	6,107,652
Parks, recreation, and cultural	736,620	-	736,620
Community development	758,092	89,753	847,845
Nondepartmental	678,231	-	678,231
Capital projects	-	37,866	37,866
Debt service:			
Principal retirement	41,571	1,552,533	1,594,104
Interest and other fiscal charges	7,541	1,020,851	1,028,392
Bond issuance costs	-	34,201	34,201
Total expenditures	\$ 20,315,868	\$ 3,023,577	\$ 23,339,445
Excess (deficiency) of revenues over (under) expenditures	\$ 2,864,059	\$ (2,992,395)	\$ (128,336)
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ -	\$ 3,121,780	\$ 3,121,780
Transfers out	(3,953,575)	-	(3,953,575)
Issuance of lease revenue bond	-	3,536,000	3,536,000
Total other financing sources (uses)	\$ (3,953,575)	\$ 6,657,780	\$ 2,704,205
Net change in fund balances	\$ (1,089,516)	\$ 3,665,385	\$ 2,575,869
Fund balances - beginning	7,611,722	273,046	7,884,768
Fund balances - ending	\$ 6,522,206	\$ 3,938,431	\$ 10,460,637

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

County of Giles, Virginia
 Reconciliation of Statement of Revenues,
 Expenditures, and Changes in Fund Balances of Governmental Funds
 To the Statement of Activities
 For the Year Ended June 30, 2014

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

Net change in fund balances - total governmental funds

\$ 2,575,869

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation exceeded capital outlays in the current period.

Capital asset additions

\$ 330,012

Depreciation expense

(2,223,879)

(1,893,867)

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

(9,222)

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

\$ (3,536,000)

Payments of principal:

General obligation bonds

1,112,836

Lease revenue bonds

439,697

Capital lease

41,571

(Increase) decrease in landfill closure and postclosure monitoring costs

(130,234)

(2,072,130)

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

\$ (43,626)

(Increase) decrease in net OPEB obligation

(27,987)

(Increase) decrease in accrued interest payable

3,116

Amortization of bond premium

98,345

29,848

Change in net position of governmental activities

\$ (1,369,502)

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, 2014

	Enterprise Fund Water Department	Component Unit Industrial Development Authority
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 31,446	\$ -
Accounts receivable (net of allowance for uncollectibles)	62,473	-
Due from primary government	-	2,481
Total current assets	\$ 93,919	\$ 2,481
Restricted current assets:		
Investments	\$ 2,461,572	\$ -
Total current assets	\$ 2,555,491	\$ 2,481
Noncurrent assets:		
Lease purchase receivable, net of current portion	\$ -	\$ 702,000
Inventories (land and buildings held for resale)	-	1,705,481
Capital assets:		
Land	13,000	618,634
Construction in progress	642,846	-
Utility plant in service	14,250,901	-
Buildings and improvements	-	9,493,633
Machinery and equipment	456,786	-
Accumulated depreciation	(4,178,602)	(1,239,424)
Total capital assets	\$ 11,184,931	\$ 8,872,843
Total noncurrent assets	\$ 11,184,931	\$ 11,280,324
Total assets	\$ 13,740,422	\$ 11,282,805
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 81,640	\$ 285,712
Reconciled overdraft	-	32,232
Retainage payable	-	14,881
Customer deposits	21,400	-
Accrued interest payable	72,623	66,197
Due to other funds	1,057,898	-
Compensated absences - current portion	28,900	-
Bonds payable - current portion	216,069	339,997
Total current liabilities	\$ 1,478,530	\$ 739,019
Noncurrent liabilities:		
Net OPEB obligation	\$ 22,365	\$ -
Compensated absences - net of current portion	9,633	-
Bonds payable - net of current portion	8,296,543	6,507,951
Total noncurrent liabilities	\$ 8,328,541	\$ 6,507,951
Total liabilities	\$ 9,807,071	\$ 7,246,970
NET POSITION		
Net investment in capital assets	\$ 5,133,891	\$ 2,024,895
Unrestricted	(1,200,540)	2,010,940
Total net position	\$ 3,933,351	\$ 4,035,835

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, 2014

	Enterprise Fund Water Department	Component Unit Industrial Development Authority
OPERATING REVENUES		
Charges for services:		
Water revenues	\$ 501,530	\$ -
Rental of property	-	400,055
Miscellaneous	12,386	16,355
Total operating revenues	<u>\$ 513,916</u>	<u>\$ 416,410</u>
OPERATING EXPENSES		
Salaries	\$ 324,542	\$ 81,960
Fringes	100,343	21,965
Contracted services	36,169	4,783
Repair and maintenance	78,379	-
Water purchase	222,550	-
Material and supplies	111,177	-
Insurance	7,550	20,944
Miscellaneous	92,763	1,461
Utilities	24,288	27,641
Reserve capacity payment	16,899	-
Depreciation	482,722	249,515
Economic development	-	705,137
Total operating expenses	<u>\$ 1,497,382</u>	<u>\$ 1,113,406</u>
Operating income (loss)	<u>\$ (983,466)</u>	<u>\$ (696,996)</u>
NONOPERATING REVENUES (EXPENSES)		
Interest income	\$ 4,420	\$ -
Connection fees	17,720	-
Interest expense	(240,078)	(258,391)
Bond issuance costs	-	(31,657)
Total nonoperating revenues (expenses)	<u>\$ (217,938)</u>	<u>\$ (290,048)</u>
Income before contributions and transfers	<u>\$ (1,201,404)</u>	<u>\$ (987,044)</u>
Capital contributions and construction grants	54,727	436,973
Transfers in	831,795	-
Change in net position	<u>\$ (314,882)</u>	<u>\$ (550,071)</u>
Net position - beginning	4,248,233	4,585,906
Net position - ending	<u><u>\$ 3,933,351</u></u>	<u><u>\$ 4,035,835</u></u>

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

County of Giles, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2014

Exhibit 9

	Enterprise Fund Water Department	Component Unit Industrial Development Authority
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 561,367	\$ 416,410
Payments to suppliers	(529,673)	(443,288)
Payments to employees	(417,941)	(103,925)
Net cash provided by (used for) operating activities	<u>\$ (386,247)</u>	<u>\$ (130,803)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers from other funds	\$ 831,795	\$ -
Lease purchase receivable	-	(702,000)
Net cash provided (used) by noncapital financing activities	<u>\$ 831,795</u>	<u>\$ (702,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	\$ (612,258)	\$ -
Principal payments on bonds	(149,557)	(223,033)
Proceeds from indebtedness	-	781,000
Contributions in aid of construction	54,727	436,973
Interest payments	(292,438)	(311,520)
Bond issuance costs	-	(31,657)
Connection fees	17,720	-
Net cash provided by (used for) capital and related financing activities	<u>\$ (981,806)</u>	<u>\$ 651,763</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	\$ 4,420	\$ -
Net increase (decrease) in cash and cash equivalents	<u>\$ (531,838)</u>	<u>\$ (181,040)</u>
Cash and cash equivalents - beginning	3,024,856	181,040
Cash and cash equivalents - ending	<u><u>\$ 2,493,018</u></u>	<u><u>\$ -</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	<u>\$ (983,466)</u>	<u>\$ (696,996)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation expense	\$ 482,722	\$ 249,515
(Increase) decrease in accounts receivable	44,551	-
(Increase) decrease in due from other funds	-	(2,481)
Increase (decrease) in reconciled overdraft	-	32,232
Increase (decrease) in customer deposits	2,900	-
Increase (decrease) in accounts payable	60,102	295,582
Increase (decrease) in net OPEB obligation	4,674	-
Increase (decrease) in compensated absences	2,270	-
Increase (decrease) in due to other funds	-	(8,655)
Total adjustments	<u>\$ 597,219</u>	<u>\$ 566,193</u>
Net cash provided by (used for) operating activities	<u><u>\$ (386,247)</u></u>	<u><u>\$ (130,803)</u></u>

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

County of Giles, Virginia
Statement of Net Position
Fiduciary Funds
June 30, 2014

	Agency Funds
ASSETS	
Cash and cash equivalents	
Total assets	\$ 61,009
	<u>\$ 61,009</u>
LIABILITIES	
Amounts held for Social Services clients	
Total liabilities	\$ 61,009
	<u>\$ 61,009</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, 2014

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, 2014, the County paid \$966,500 for the confinement of prisoners.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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 (government 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, 2014

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

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

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

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

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

The government reports the following major governmental funds:

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

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

The government reports the following major proprietary funds:

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

Additionally, the government reports the following fund types:

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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

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

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

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

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

1. Cash and Cash Equivalents

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

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

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

2. Receivables and Payables

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

3. Property Taxes

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

COUNTY OF GILES, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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

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

4. Allowance for Uncollectible Accounts

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$126,489 at June 30, 2014 and is comprised solely of property taxes. The allowance amounted to approximately \$225,835 for the Water department at June 30, 2014 and is comprised solely of water billings and penalties.

5. Inventories and Prepaid Items

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

6. Use of Estimates

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

7. Capital Assets

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

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

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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

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

7. Capital Assets (Continued)

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

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

8. Compensated Absences

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

9. 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.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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

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

10. Fund Equity

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

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

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

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

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

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.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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

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

11. 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 does not have any deferred outflows of resources as of June 30, 2014.

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 one type of item that qualifies for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30th, 2nd half installments levied during the fiscal year but due after June 30th, and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2nd half installments levied during the fiscal year but due after June 30th and amounts prepaid on the 2nd half installments are reported as deferred inflows of resources.

12. 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.

13. Net Position Flow Assumption

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 2-Stewardship, Compliance, and Accountability:

A. Budgetary Information

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

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

B. Excess of Expenditures Over Appropriations

For the fiscal year ended June 30, 2014, the following departments of the County had expenditures in excess of appropriations: Clerk of Circuit Court, Fire and Rescue, State and Local Hospitalization, and Social Services Administration.

C. Deficit Fund Equity

At June 30, 2014, there were no funds with deficit fund equity.

COUNTY OF GILES, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 3-Deposits and Investments:

Deposits:

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

Investments:

Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP). A summary of investments of the County are listed below.

Credit Risk of Debt Securities:

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

The County's rated debt investments for SNAP were rated by Standard, as of June 30, 2014 and the ratings are presented below using the respective rating scale.

County's Rated Debt Investments' Values	
<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	AAAm
SNAP	\$ 2,934,338

External Investment Pools

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

Interest Rate Risk:

The County has not adopted an investment policy for interest rate risk and had no investments subject to interest rate risk at June 30, 2014.

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COUNTY OF GILES, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 4-Due from Other Governmental Units:

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

	Primary Government Governmental	Component Unit- School Board
<u>Commonwealth of Virginia:</u>		
Local sales tax	\$ 233,824	\$ -
State sales tax	-	443,740
Categorical aid	21,995	*
Shared expenses	138,695	*
Non-categorical aid	184,529	*
Virginia public assistance funds	70,303	*
Community services act	227,085	*
<u>Federal Government:</u>		
Virginia public assistance funds	101,844	*
School grants	-	252,707
Categorical aid	3,034	*
Totals	\$ 981,309	\$ 696,447

Note 5-Component Unit Obligations:

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

COUNTY OF GILES, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 6-Interfund Transfers and Balances:

Interfund transfers and remaining balances for the year ended June 30, 2014, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ -	\$ 3,953,575
Water and Sewer Fund	831,795	-
County Capital Improvements Fund	3,121,780	-
Total	<u>\$ 3,953,575</u>	<u>\$ 3,953,575</u>
	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 1,057,898	\$ -
Water and Sewer Fund	-	1,057,898
Total	<u>\$ 1,057,898</u>	<u>\$ 1,057,898</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. The General Fund has advanced the Water Fund \$1,057,898 for the construction of capital assets with no repayment terms.

Note 7-Long-Term Obligations:

Primary Government - Governmental Activities Indebtedness:

The following is a summary of long-term obligation transactions of the County for the year ended June 30, 2014:

	<u>Balance July 1, 2013</u>	<u>Increases/ Issuances</u>	<u>Decreases/ Retirements</u>	<u>Balance June 30, 2014</u>
General obligation bonds	\$ 6,726,578	\$ -	\$ (1,112,836)	\$ 5,613,742
Lease revenue bonds	16,441,098	3,536,000	(439,697)	19,537,401
Unamortized premium	2,016,076	-	(98,345)	1,917,731
Capital lease	222,436	-	(41,571)	180,865
Landfill postclosure liability	46,851	130,234	-	177,085
Net OPEB obligation	103,146	62,159	(34,172)	131,133
Compensated absences	504,420	421,941	(378,315)	548,046
Total	<u>\$ 26,060,605</u>	<u>\$ 4,150,334</u>	<u>\$ (2,104,936)</u>	<u>\$ 28,106,003</u>

COUNTY OF GILES, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 7-Long-Term Obligations: (Continued)

Primary Government - Governmental Activities Indebtedness: (Continued)

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

Year Ending June 30,	General Obligation Bonds		Lease Revenue Bonds	
	Principal	Interest	Principal	Interest
2015	\$ 1,133,845	\$ 288,926	\$ 648,420	\$ 699,027
2016	957,771	230,725	790,992	704,819
2017	979,507	181,478	841,289	673,428
2018	1,002,118	131,099	889,394	637,618
2019	760,895	79,540	1,113,029	595,682
2020-2024	779,606	40,260	6,277,977	2,189,291
2025-2029	-	-	5,595,639	1,053,969
2030-2033	-	-	3,380,661	194,393
Totals	\$ 5,613,742	\$ 952,028	\$ 19,537,401	\$ 6,748,227

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COUNTY OF GILES, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 7-Long-Term Obligations: (Continued)

Primary Government - Governmental Activities Indebtedness: (Continued)

Details of long-term indebtedness:

	Interest Rates	Date Issued	Final Maturity Date	Installment Amounts	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
<u>General Obligation (GO) Bonds:</u>							
General Obligation 2000A VPSA Bond	5.10-5.60%	5/18/2000	7/15/2020	\$75,000-100,000 a+	\$ 1,270,000	\$ 525,000	\$ 75,000
General Obligation 2000B VPSA Bond	5.10-5.27%	11/25/2000	7/15/2020	\$606,914-679,606 a+	11,508,990	3,885,108	617,539
General Obligation 1995A VPSA Bond	5.10-5.60%	12/21/1995	7/15/2016	\$191,082-196,977 a+	3,065,925	196,977	196,977
General Obligation 1998A VPSA Bond	4.35-5.10%	11/19/1998	7/15/2018	\$194,058-209,765 a+	3,684,045	814,499	197,690
General Obligation 1998B VPSA Bond	4.35-5.10%	11/19/1998	7/15/2018	\$45,782-49,488 a+	869,126	192,158	46,639
Total General Obligation Bonds						\$ 5,613,742	\$ 1,133,845
<u>Lease Revenue Bonds:</u>							
Lease Revenue Bond Series 2008A	4.73%	11/20/2008	1/15/2024	\$178,000-291,732 a+	\$ 3,110,000	\$ 2,319,732	\$ 186,000
Lease Revenue Bond Series 2012C	2.82-4.83%	12/6/2012	4/1/2033	\$261,697-989,344 a+	13,943,366	13,681,669	290,420
Lease Revenue Bond Series 2014C	2.12%	6/11/2014	1/15/2034	\$146,000-212,000 a+	3,536,000	3,536,000	172,000
Total Lease Revenue Bonds						\$ 19,537,401	\$ 648,420
<u>Deferred Amount:</u>							
Unamortized Premium						\$ 1,917,731	\$ 98,345
<u>Other Obligations:</u>							
Capital Lease (Note 8)						\$ 180,865	\$ 42,981
Landfill Postclosure Liability						177,085	-
Net OPEB Obligation						131,133	-
Compensated Absences						548,046	411,035
Total Other Obligations						\$ 1,037,129	\$ 454,016
Total Long-Term Obligations						\$ 28,106,003	\$ 2,334,626

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

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COUNTY OF GILES, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 7-Long-Term Obligations: (Continued)

Primary Government - Enterprise Fund Indebtedness:

The following is a summary of long-term obligation transactions of the Enterprise Fund for the year ended June 30, 2014:

	Balance July 1, 2013	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2014
Revenue bond	\$ 310,075	\$ -	\$ (11,592)	\$ 298,483
Lease revenue bond	7,350,053	-	(137,965)	7,212,088
Unamortized premium	1,053,428	-	(51,387)	1,002,041
Net OPEB obligation	17,691	10,502	(5,828)	22,365
Compensated absences	36,263	29,467	(27,197)	38,533
Total	\$ 8,767,510	\$ 39,969	\$ (233,969)	\$ 8,573,510

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

Year Ending June 30,	Revenue Bond		Lease Revenue Bond	
	Principal	Interest	Principal	Interest
2015	\$ 11,591	\$ -	\$ 153,091	\$ 288,296
2016	11,591	-	237,207	281,945
2017	11,591	-	257,395	271,954
2018	11,591	-	275,900	259,904
2019	11,591	-	386,933	244,903
2020-2024	57,957	-	2,190,380	925,894
2025-2029	57,957	-	2,466,280	467,490
2030-2034	57,957	-	1,244,902	67,840
2035-2039	57,957	-	-	-
2040-2043	8,700	-	-	-
Totals	\$ 298,483	\$ -	\$ 7,212,088	\$ 2,808,226

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COUNTY OF GILES, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 7-Long-Term Obligations: (Continued)

Primary Government - Enterprise Fund 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	\$ 298,483	\$ 11,591
<u>Lease Revenue Bond:</u>							
Lease Revenue Bond Series 2012C	2.82-4.83%	12/6/2012	4/1/2033	\$137,950-521,955 a+	\$ 7,350,053	\$ 7,212,088	\$ 153,091
<u>Deferred Amount:</u>							
Unamortized Premium						\$ 1,002,041	\$ 51,387
<u>Other Obligations:</u>							
Net OPEB Obligation						\$ 22,365	\$ -
Compensated Absences						38,533	28,900
Total Other Obligations						\$ 60,898	\$ 28,900
Total Long-Term Obligations						\$ 8,573,510	\$ 244,969

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

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

Note 8-Long-Term Obligations-Component Units:

Discretely Presented Component Unit - School Board Indebtedness:

The following is a summary of long-term obligation transactions of the Component-Unit School Board for the year ended June 30, 2014:

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Net OPEB Obligation	\$ 268,878	\$ 604,492	\$ (583,700)	\$ 289,670
Compensated Absences	466,343	297,786	(349,757)	414,372
Total	\$ 735,221	\$ 902,278	\$ (933,457)	\$ 704,042

COUNTY OF GILES, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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

Discretely Presented Component Unit - School Board Indebtedness: (Continued)

Details of long-term indebtedness:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
Other Obligations:		
Net OPEB obligation	\$ 289,670	\$ -
Compensated absences	414,372	310,779
Total Long-Term Obligations	\$ 704,042	\$ 310,779

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, 2014:

	<u>Balance July 1, 2013</u>	<u>Issuances</u>	<u>Retirements</u>	<u>Balance June 30, 2014</u>
Notes Payable	\$ 5,662,537	\$ -	\$ (2,786,701)	\$ 2,875,836
Lease Revenue Bonds	551,581	3,355,000	(10,332)	3,896,249
Unamortized Premium	79,753	-	(3,890)	75,863
Total	\$ 6,293,871	\$ 3,355,000	\$ (2,800,923)	\$ 6,847,948

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

<u>Year Ending June 30,</u>	<u>Notes Payable</u>		<u>Lease Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 117,618	\$ 120,287	\$ 218,489	\$ 72,996
2016	122,750	115,155	194,801	102,177
2017	128,106	109,799	201,316	96,896
2018	133,695	104,210	207,705	91,319
2019	139,529	98,377	221,037	85,378
2020-2024	794,449	395,076	1,197,376	327,524
2025-2029	983,563	205,964	1,360,081	150,922
2030-2033	456,126	19,684	295,444	18,087
Totals	\$ 2,875,836	\$ 1,168,552	\$ 3,896,249	\$ 945,299

COUNTY OF GILES, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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

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

Details of long-term indebtedness:

	Interest Rates	Date Issued	Final Maturity Date	Installment Amounts	Amount of Original Issue	Balance Business- type Activities	Amount Due with- in One Year
<u>Notes Payable:</u>							
Notes Payable	4.27%	8/12/2010	7/15/2031	\$103,611 a	\$ 1,393,644	\$ 1,252,466	\$ 51,224
Notes Payable	4.27%	8/12/2010	7/15/2031	\$134,294 a	1,806,356	1,623,370	66,394
Total Notes Payable						\$ 2,875,836	\$ 117,618
<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	\$ 541,249	\$ 11,489
Lease Revenue Bond Series 2014A	2.12%	6/11/2014	1/15/2029	\$105,000-138,000 a+	1,809,000	1,809,000	118,000
Lease Revenue Bond Series 2014B	3.93%	6/11/2014	1/15/209	\$43,000-71,000 a+	844,000	844,000	55,000
Lease Revenue Bond Series 2014C	2.12%	6/11/2014	1/15/2034	\$29,000-42,000 a+	702,000	702,000	34,000
Total Lease Revenue Bonds						\$ 3,896,249	\$ 218,489
<u>Deferred Amount:</u>							
Unamortized Premium						\$ 75,863	\$ 3,890
Total Long-Term Obligations						\$ 6,847,948	\$ 339,997

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

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

Note 9-Capital Lease:

Primary Government

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

The assets acquired through the capital lease are as follows:

	E-911 Equipment
Machinery and equipment	\$ 170,718
Less: Accumulated depreciation	(38,766)
Net Capital Asset	\$ 131,952

COUNTY OF GILES, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 9-Capital Lease: (Continued)

Primary Government (Continued)

The future minimum lease obligations and the net present value of minimum lease payments as of June 30, 2014, were as follows:

<u>Year Ending June 30,</u>	<u>E-911 Equipment</u>
2015	\$ 49,112
2016	49,112
2017	49,112
2018	<u>49,112</u>
Subtotal	\$ 196,448
Less, amount representing interest	<u>(15,583)</u>
Present Value of Lease Agreement	<u>\$ 180,865</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 10-Pension Plan:

A. Plan Description

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

All full-time, salaried permanent (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Members earn one month of service credit for each month they are employed and they and their employer are paying contributions to VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as service credit in their plan.

Within the VRS Plan, the System administers three different benefit plans for local government employees - Plan 1, Plan 2, and, Hybrid. Each plan has different eligibility and benefit structures as set out below:

VRS - PLAN 1

1. **Plan Overview** - VRS Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.
2. **Eligible Members** - Employees are in VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.
3. **Hybrid Opt-In Election** - VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible VRS Plan 1 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and had prior service under VRS Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 1 or ORP.

Note 10-Pension Plan: (Continued)

A. Plan Description (Continued)

VRS - PLAN 1 (CONTINUED)

4. **Retirement Contributions** - Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.
5. **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.
6. **Vesting** - Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.

Members are always 100% vested in the contributions that they make.

7. **Calculating the Benefit** - The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.

An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.

8. **Average Final Compensation** - A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.
9. **Service Retirement Multiplier** - 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 1.7%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.
10. **Normal Retirement Age** - Age 65.

Note 10-Pension Plan: (Continued)

A. Plan Description (Continued)

VRS - PLAN 1 (CONTINUED)

- 11. Earliest Unreduced Retirement Eligibility** - Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.

Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

- 12. Earliest Reduced Retirement Eligibility** - Members may retire with a reduced benefit as early as age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.

- 13. 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%.

- 14. Eligibility** - For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.

For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.

- 15. Exceptions to COLA Effective Dates** - The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

- The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
- The member retires on disability.
- 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.

Note 10-Pension Plan: (Continued)

A. Plan Description (Continued)

VRS – PLAN 1 (CONTINUED)

- 16. 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.

Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

- 17. Purchase of Prior Service** - Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.

VRS – PLAN 2

- 1. Plan Overview** - VRS Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS 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.
- 2. Eligible Members** - Employees are in VRS 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.
- 3. Hybrid Opt-In Election** - VRS Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible VRS Plan 2 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and have prior service under VRS Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 2 or ORP.

Note 10-Pension Plan: (Continued)

A. Plan Description (Continued)

VRS – PLAN 2 (CONTINUED)

4. **Retirement Contributions** - Same as VRS Plan 1–Refer to Section 4.
5. **Creditable Service** - Same as VRS Plan 1– Refer to Section 5.
6. **Vesting** - Same as VRS Plan 1–Refer to Section 6.
7. **Calculating the Benefit** - Same as VRS Plan 1–Refer to Section 7.
8. **Average Final Compensation** - A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.
9. **Service Retirement Multiplier** - Same as Plan1 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.
10. **Normal Retirement Age** - Normal Social Security retirement age.
11. **Earliest Unreduced Retirement Eligibility** - Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.
12. **Earliest Reduced Retirement Eligibility** - Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.
13. **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%.
14. **Eligibility** - Same as VRS Plan 1–Refer to Section 14.
15. **Exceptions to COLA Effective Dates** - Same as VRS Plan 1–Refer to Section 15.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 10-Pension Plan: (Continued)

A. Plan Description (Continued)

VRS – PLAN 2 (CONTINUED)

- 16. 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.

Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

- 17. Purchase of Prior Service** - Same as VRS Plan 1—Refer to Section 17.

HYBRID RETIREMENT PLAN

- 1. Plan Overview** - The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window. (See “Eligible Members”)
- The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.
 - The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.
 - 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.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 10-Pension Plan: (Continued)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (CONTINUED)

2. **Eligible Members** - Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:
 - State employees*
 - School division employees
 - Political subdivision employees*
 - Judges appointed or elected to an original term on or after January 1, 2014
 - Members in VRS Plan 1 or VRS 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
3. ***Non-Eligible Members** - Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:
 - Members of the State Police Officers' Retirement System (SPORS)
 - Members of the Virginia Law Officers' Retirement System (VaLORS)
 - Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

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 VRS Plan 1 or VRS Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or VRS Plan 2 (as applicable) or ORP.
4. **Retirement Contributions** - A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

Note 10-Pension Plan: (Continued)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (CONTINUED)

5. Creditable Service

Defined Benefit Component - Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

Defined Contribution Component - Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

6. Vesting

Defined Benefit Component - Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. VRS Plan 1 or VRS Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

Defined Contribution Component - Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.

Members are always 100% vested in the contributions that they make.

Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.

- After two years, a member is 50% vested and may withdraw 50% of employer contributions.
- After three years, a member is 75% vested and may withdraw 75% of employer contributions.
- After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distribution is not required by law until age 70½.

Note 10-Pension Plan: (Continued)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (CONTINUED)

7. Calculating the Benefit

Defined Benefit Component - Same as VRS Plan 1—Refer to Section 7.

Defined Contribution Component - 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.

- 8. Average Final Compensation** - Same as VRS Plan 2—Refer to Section 8. It is used in the retirement formula for the defined benefit component of the plan.

- 9. Service Retirement Multiplier** - The retirement multiplier is 1.0%.

For members that opted into the Hybrid Retirement Plan from VRS Plan 1 or VRS Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

10. Normal Retirement Age

Defined Benefit Component - Same as VRS Plan 2—Refer to Section 10.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

11. Earliest Unreduced Retirement Eligibility

Defined Benefit Component - Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

12. Earliest Reduced Retirement Eligibility

Defined Benefit Component - Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Note 10-Pension Plan: (Continued)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (CONTINUED)

13. Cost-of-Living Adjustment (COLA) in Retirement

Defined Benefit Component - Same as VRS Plan 2-Refer to Section 13.

Defined Contribution Component - Not Applicable.

14. Eligibility - Same as VRS Plan 1 and VRS Plan 2- Refer to Section 14.

15. Exceptions to COLA Effective Dates - Refer to VRS Plan 1 and VRS Plan 2-Section 15.

16. Disability Coverage - Eligible political subdivision and school division members (including VRS Plan 1 and VRS 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.

State employees (including VRS Plan 1 and VRS Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

Hybrid members (including VRS Plan 1 and VRS Plan 2 opt-ins) covered under VSDP or VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

17. Purchase of Prior Service

Defined Benefit Component - Same as VRS Plan 1 and VRS Plan 2-Refer to Section 17.

Defined Contribution Component - Not Applicable.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2013-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-Pension Plan: (Continued)

B. Funding Policy

Primary Government:

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be 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 being making the employee pay the 5% member contribution. This could be phased in over a period 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. In addition, the County of Giles, Virginia is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County's contribution rate for the fiscal year ended 2014 was 12.10% (excluding member contribution) of annual covered payroll.

Discretely Presented Component Unit - School Board (Non-Professional Employees):

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be 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 being making the employee pay the 5% member contribution. This could be phased in over a period 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. In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The School Board's contribution rate for the fiscal year ended 2014 was 15.69% (excluding member contribution) of the annual covered payroll.

Discretely Presented Component Unit - School Board (Professional Employees):

The School Board's contributions for professional employees were \$1,338,453, \$1,274,429, and \$686,512, to the teacher cost-sharing pool for the fiscal years ended 2014, 2013, and 2012, respectively, and these contributions represented 11.66%, 11.66%, and 6.33% for 2014, 2013, and 2012, respectively, of current covered payroll.

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COUNTY OF GILES, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 10-Pension Plan: (Continued)

C. Annual Pension Cost

For fiscal year 2014, the County of Giles, Virginia's annual pension costs of \$541,511 and \$181,469 were equal to the County of Giles, Virginia's required and actual contributions for the County and the School Board Non-Professionals, respectively.

Three-Year Trend Information				
	Fiscal Year Ending	Annual Pension Cost (APC) ¹	Percentage of APC Contributed	Net Pension Obligation
Primary Government:				
County	6/30/2012	\$ 365,444	100.00%	\$
	6/30/2013	630,170	100.00%	
	6/30/2014	541,511	100.00%	
Discretely Presented-Component Unit:				
School Board Non-Professional	6/30/2012	\$ 132,884	100.00%	\$
	6/30/2013	211,329	100.00%	
	6/30/2014	181,469	100.00%	

¹Employer portion only. For fiscal year ending June 30, 2014, amount shown excludes any employee portion assumed by the County and School Board.

Primary Government:

The FY 2014 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees, 3.75% to 6.20% per year for teachers, and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

Discretely Presented Component Unit - School Board (Non-Professional Employees):

The FY 2014 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees, 3.75% to 6.20% per year for teachers, and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County's assets is equal to the modified market value of assets.

COUNTY OF GILES, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 10-Pension Plan: (Continued)

C. Annual Pension Cost (Continued)

Discretely Presented Component Unit - School Board (Non-Professional Employees): (Continued)

This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

D. Funded Status and Funding Progress

Primary Government:

As of June 30, 2013, the most recent actuarial valuation date, the plan was 78.27% funded. The actuarial accrued liability for benefits was \$20,311,123, and the actuarial value of assets was \$15,897,633, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,413,490. The covered payroll (annual payroll of active employees covered by the plan) was \$4,016,332, and ratio of the UAAL to the covered payroll was 109.89%.

Discretely Presented Component Unit - School Board (Non-Instructional):

As of June 30, 2013, the most recent actuarial valuation date, the plan was 69.49% funded. The actuarial accrued liability for benefits was \$5,256,652, and the actuarial value of assets was \$3,652,595, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,604,054. The covered payroll (annual payroll of active employees covered by the plan) was \$1,085,463 and ratio of the UAAL to the covered payroll was 147.78%.

The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

Note 11- Deferred Inflows of Resources:

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

	<u>Unavailable</u>
Property taxes receivable	\$ 3,218,065
Prepaid taxes	280,802
Total unavailable revenue for governmental funds	\$ 3,498,867

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COUNTY OF GILES, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 12-Capital Assets:

Capital asset activity for the year ended June 30, 2014 was as follows:

Primary Government:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 530,530	\$ -	\$ -	\$ 530,530
Construction in progress	398,159	395,844	(714,405)	79,598
Total capital assets not being depreciated	<u>\$ 928,689</u>	<u>\$ 395,844</u>	<u>\$ (714,405)</u>	<u>\$ 610,128</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 39,001,253	\$ -	\$ -	\$ 39,001,253
Machinery and equipment	2,852,754	648,573	-	3,501,327
Total capital assets being depreciated	<u>\$ 41,854,007</u>	<u>\$ 648,573</u>	<u>\$ -</u>	<u>\$ 42,502,580</u>
Accumulated depreciation:				
Buildings and improvements	\$ (15,385,292)	\$ (1,931,686)	\$ -	\$ (17,316,978)
Machinery and equipment	(2,097,392)	(292,193)	-	(2,389,585)
Total accumulated depreciation	<u>\$ (17,482,684)</u>	<u>\$ (2,223,879)</u>	<u>\$ -</u>	<u>\$ (19,706,563)</u>
Total capital assets being depreciated, net	<u>\$ 24,371,323</u>	<u>\$ (1,575,306)</u>	<u>\$ -</u>	<u>\$ 22,796,017</u>
Governmental activities capital assets, net	<u>\$ 25,300,012</u>	<u>\$ (1,179,462)</u>	<u>\$ (714,405)</u>	<u>\$ 23,406,145</u>

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COUNTY OF GILES, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 12-Capital Assets: (Continued)

Primary Government: (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 13,000	\$ -	\$ -	\$ 13,000
Construction in progress	109,462	533,384	-	642,846
Total capital assets, not being depreciated	<u>\$ 122,462</u>	<u>\$ 533,384</u>	<u>\$ -</u>	<u>\$ 655,846</u>
Capital assets, being depreciated:				
Utility plant and infrastructure	\$ 14,250,901	\$ -	\$ -	\$ 14,250,901
Machinery and equipment	377,912	78,874	-	456,786
Total capital assets, being depreciated	<u>\$ 14,628,813</u>	<u>\$ 78,874</u>	<u>\$ -</u>	<u>\$ 14,707,687</u>
Accumulated depreciation:				
Utility plant and infrastructure	\$ (3,447,051)	\$ (455,605)	\$ -	\$ (3,902,656)
Machinery and equipment	(248,829)	(27,117)	-	(275,946)
Total accumulated depreciation	<u>\$ (3,695,880)</u>	<u>\$ (482,722)</u>	<u>\$ -</u>	<u>\$ (4,178,602)</u>
Total capital assets being depreciated, net	<u>\$ 10,932,933</u>	<u>\$ (403,848)</u>	<u>\$ -</u>	<u>\$ 10,529,085</u>
Business-type activities capital assets, net	<u>\$ 11,055,395</u>	<u>\$ 129,536</u>	<u>\$ -</u>	<u>\$ 11,184,931</u>

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

Governmental activities:

General government administration	\$ 90,439
Judicial administration	39,940
Public safety	197,403
Public works	5,882
Education	1,759,417
Parks, recreation, and cultural	46,495
Community development	84,303

Total depreciation expense-governmental activities \$ 2,223,879

Business-type activities:

Water department \$ 482,722

COUNTY OF GILES, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 12-Capital Assets: (Continued)

Capital asset activity for the School Board for the year ended June 30, 2014 was as follows:

Discretely Presented Component Unit-School Board:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 473,652	\$ -	\$ -	\$ 473,652
Construction in progress	331,074	290,772	-	621,846
Total capital assets not being depreciated	<u>\$ 804,726</u>	<u>\$ 290,772</u>	<u>\$ -</u>	<u>\$ 1,095,498</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 10,926,030	\$ -	\$ -	\$ 10,926,030
Machinery and equipment	4,273,625	131,150	-	4,404,775
Total capital assets being depreciated	<u>\$ 15,199,655</u>	<u>\$ 131,150</u>	<u>\$ -</u>	<u>\$ 15,330,805</u>
Accumulated depreciation:				
Buildings and improvements	\$ (8,107,538)	\$ (330,405)	\$ -	\$ (8,437,943)
Machinery and equipment	(2,974,987)	(264,473)	-	(3,239,460)
Total accumulated depreciation	<u>\$ (11,082,525)</u>	<u>\$ (594,878)</u>	<u>\$ -</u>	<u>\$ (11,677,403)</u>
Total capital assets being depreciated, net	<u>\$ 4,117,130</u>	<u>\$ (463,728)</u>	<u>\$ -</u>	<u>\$ 3,653,402</u>
Governmental activities capital assets, net	<u>\$ 4,921,856</u>	<u>\$ (172,956)</u>	<u>\$ -</u>	<u>\$ 4,748,900</u>

Depreciation expense of \$594,878 was charged to education in the Statement of Activities.

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COUNTY OF GILES, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 12-Capital Assets: (Continued)

Capital asset activity for the Industrial Development Authority for the year ended June 30, 2014 was as follows:

Discretely Presented Component Unit-Industrial Development Authority:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 618,634	\$ -	\$ -	\$ 618,634
Construction in progress	12,328	-	(12,328)	-
Total capital assets not being depreciated	<u>\$ 630,962</u>	<u>\$ -</u>	<u>\$ (12,328)</u>	<u>\$ 618,634</u>
Capital assets, being depreciated:				
Buildings and improvements	<u>\$ 9,481,305</u>	<u>\$ 12,328</u>	<u>\$ -</u>	<u>\$ 9,493,633</u>
Accumulated depreciation:				
Buildings and improvements	<u>\$ (989,909)</u>	<u>\$ (249,515)</u>	<u>\$ -</u>	<u>\$ (1,239,424)</u>
Total capital assets being depreciated, net	<u>\$ 8,491,396</u>	<u>\$ (237,187)</u>	<u>\$ -</u>	<u>\$ 8,254,209</u>
Business-type activities capital assets, net	<u>\$ 9,122,358</u>	<u>\$ (237,187)</u>	<u>\$ (12,328)</u>	<u>\$ 8,872,843</u>

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

Note 13-Inventories/Assets Held for Resale:

Discretely Presented Component Unit-Industrial Development Authority:

The Industrial Development Authority has assets consisting of land and structures specifically held for resale that are not depreciated. At June 30, 2014, the value of these assets was \$1,705,481.

The following is a summary of transactions for these assets for the year ended June 30, 2014.

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

COUNTY OF GILES, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 14-Risk Management:

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

Note 15-Contingent Liabilities:

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

Note 16-Surety Bonds:

Primary Government:

Fidelity & Deposit Company of Maryland-Surety:

Charles Fraley, Clerk of the Circuit Court	\$ 550,000
Gerald W. Duncan, Treasurer	400,000
Lisa Corell, Commissioner of the Revenue	3,000
William M. Millirons, Sheriff	30,000

Note 17-Landfill Postclosure Liability:

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The County landfill has been closed. Total costs for landfill postclosure are estimated to be \$177,085. This amount is based on what it would cost to perform all postclosure care in 2014. 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.

COUNTY OF GILES, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 17-Landfill Postclosure Liability: (Continued)

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

Note 18-Other Postemployment Benefits - Health Care:

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

A. Plan Description

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

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

B. Funding Policy

The County and School Board currently pay for the post-retirement health care benefits on a pay-as-you-go basis. The County and School Board currently have 81 and 351 employees that are eligible, respectively, for the program. In addition, the County pays up to \$503.00 per month for retirees with at least 30 years of service with the County and up to \$251.50 per month for retirees with at least 20 years of service with the County. The County does not make contributions to the medical premium for retirees with less than 20 years of service.

COUNTY OF GILES, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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

B. Funding Policy (Continued)

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

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

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

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

Medical & Dental	Key Advantage 500	Key Advantage Expanded
Employee Only	\$ 503.00	\$ 585.00
Employee & Spouse	931.00	1,082.00
Employee & Dependents	931.00	1,082.00
Family	1,358.00	1,580.00

*The Medicare supplement plan premium is \$127.00

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

COUNTY OF GILES, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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

C. Annual OPEB Cost and Net OPEB Obligation

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

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

	Primary Government			Component Unit School Board
	General	Water and Sewer	Total	
Annual required contribution	\$ 62,278	\$ 10,622	\$ 72,900	\$ 609,700
Interest on net OPEB obligation	3,613	616	4,229	9,411
Adjustment to annual required contribution	(3,732)	(736)	(4,468)	(14,619)
Annual OPEB cost (expense)	62,159	10,502	72,661	604,492
Contributions made	(34,172)	(5,828)	(40,000)	(583,700)
Increase (Decrease) in net OPEB obligation	27,987	4,674	32,661	20,792
Net OPEB obligation - beginning of year	103,146	17,691	120,837	268,878
Net OPEB obligation - end of year	\$ 131,133	\$ 22,365	\$ 153,498	\$ 289,670

The County and School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and the two preceding years were as follows:

Entity	Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
County	6/30/2014	\$ 72,661	55%	\$ 153,498
County	6/30/2013	69,863	51%	120,837
County	6/30/2012	53,070	64%	86,274
School Board	6/30/2014	604,492	97%	289,670
School Board	6/30/2013	589,204	97%	268,878
School Board	6/30/2012	621,061	103%	250,474

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014Note 18-Other Postemployment Benefits - Health Care: (Continued)

D. Funded Status and Funding Progress

The funded status of the Plan for the County as of January 1, 2013, is as follows:

Actuarial accrued liability (AAL)	\$	755,000
Actuarial value of plan assets	\$	-
Unfunded actuarial accrued liability (UAAL)	\$	755,000
Funded ratio (actuarial value of plan assets / AAL)		0.00%
Covered payroll (active plan members)	\$	3,957,400
UAAL as a percentage of covered payroll		19.08%

The funded status of the Plan for the School Board as of January 1, 2013, is as follows:

Actuarial accrued liability (AAL)	\$	6,593,500
Actuarial value of plan assets	\$	-
Unfunded actuarial accrued liability (UAAL)	\$	6,593,500
Funded ratio (actuarial value of plan assets / AAL)		0.00%
Covered payroll (active plan members)	\$	11,601,200
UAAL as a percentage of covered payroll		56.83%

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

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

E. Actuarial Methods and Assumptions

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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

D. Funded Status and Funding Progress (Continued)

As of January 1, 2013, the most recent actuarial valuation date, the projected unit of credit actuarial cost method was used. Under this method, future benefits are projected and the present value of such benefits is allocated from date of hire to date of eligibility the actuarial assumptions included: inflations at 3.00 percent, plus productivity component of 1.25 percent, and investments rate of return at 3.50 percent, and a health care trend rate of 7.70 percent graded to 4.80 percent over 70 years. The UAAL is being amortized as a level percentage over the remaining amortization period, which at January 1, 2013 was 30 years.

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

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

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

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The School's Boards contributions to VRS were \$127,526, \$121,324, and \$65,072 for the fiscal years ended 2014, 2013, and 2012, respectively, and equaled the required contributions. The School Board's contributions represented 1.11%, 1.11%, and 0.60% of annual covered payroll for the fiscal years ended 2014, 2013, and 2012, respectively.

Note 20 - Commitments and Contingencies:

At June 30, 2014, the following construction commitments were outstanding:

Project	Total Due	Retainage	Net Amount Due
Governmental Activities			
Eastern Elementary Renovations	\$ 155,487	\$ 155,487	\$
Business-type Activities			
IDA Celanese Project	\$ 297,616	\$ 14,881	\$ 282,735

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 21-Litigation:

As of June 30, 2014, 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-Upcoming Pronouncements:

The GASB has issued Statement No. 68, "Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27." This Statement replaces the requirements of Statements No. 27 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not administered as trusts or equivalent arrangements. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014. The County has not determined the impact of this pronouncement on its financial statements.

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, 2014

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
General property taxes	\$ 11,809,982	\$ 11,809,982	\$ 12,485,742	\$ 675,760
Other local taxes	1,834,467	1,872,693	1,956,894	84,201
Permits, privilege fees, and regulatory licenses	40,947	40,947	31,809	(9,138)
Fines and forfeitures	131,200	131,200	62,616	(68,584)
Revenue from the use of money and property	251,495	258,107	164,944	(93,163)
Charges for services	630,448	697,755	605,864	(91,891)
Miscellaneous	17,855	34,483	43,716	9,233
Recovered costs	1,567,272	1,767,197	1,059,665	(707,532)
Intergovernmental:				
Commonwealth	5,306,948	5,326,360	5,253,340	(73,020)
Federal	1,083,524	1,095,963	1,515,337	419,374
Total revenues	\$ 22,674,138	\$ 23,034,687	\$ 23,179,927	\$ 145,240
EXPENDITURES				
Current:				
General government administration	\$ 1,535,921	\$ 1,737,793	\$ 1,491,870	\$ 245,923
Judicial administration	751,839	760,466	751,023	9,443
Public safety	4,732,466	4,819,113	4,794,464	24,649
Public works	470,647	769,237	764,931	4,306
Health and welfare	3,793,304	3,792,135	4,183,873	(391,738)
Education	5,812,082	5,821,898	6,107,652	(285,754)
Parks, recreation, and cultural	566,424	735,959	736,620	(661)
Community development	348,003	462,736	758,092	(295,356)
Nondepartmental	711,756	677,990	678,231	(241)
Debt service:				
Principal retirement	41,571	41,571	41,571	-
Interest and other fiscal charges	7,541	7,541	7,541	-
Total expenditures	\$ 18,771,554	\$ 19,626,439	\$ 20,315,868	\$ (689,429)
Excess (deficiency) of revenues over (under) expenditures				
	\$ 3,902,584	\$ 3,408,248	\$ 2,864,059	\$ (544,189)
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (4,340,994)	\$ (4,218,571)	\$ (3,953,575)	\$ 264,996
Net change in fund balances				
Fund balances - beginning	\$ (438,410)	\$ (810,323)	\$ (1,089,516)	\$ (279,193)
Fund balances - ending	438,410	810,323	7,611,722	6,801,399
	\$ -	\$ -	\$ 6,522,206	\$ 6,522,206

County of Giles, Virginia
Virginia Retirement System Pension and Other Postemployment Plans
Schedule of Pension and OPEB Funding Progress

Primary Government: County Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio (2)/(3)	Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2013	\$ 15,897,633	\$ 20,311,123	\$ 4,413,490	78.27%	\$ 4,016,332	109.89%
6/30/2012	15,606,446	20,185,445	4,578,999	77.32%	3,700,308	123.75%
6/30/2011	15,742,049	19,507,129	3,765,080	80.70%	3,796,561	99.17%

Discretely Presented Component Unit: School Board Non-Professional Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio (2)/(3)	Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2013	\$ 3,652,595	\$ 5,256,652	\$ 1,604,057	69.49%	\$ 1,085,463	147.78%
6/30/2012	3,586,911	5,830,062	2,243,151	61.52%	1,061,771	211.27%
6/30/2011	3,724,165	5,937,702	2,213,537	62.72%	1,048,110	211.19%

Primary Government: Other Postemployment Benefit

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio (2)/(3)	Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1/1/2013	\$	\$ 755,000	\$ 755,000	0.00%	\$ 3,957,400	19.08%
1/1/2011		535,900	535,900	0.00%	3,615,000	14.82%
1/1/2009		568,800	568,800	0.00%	4,241,600	13.41%

Discretely Presented Component Unit: School Board Other Postemployment Benefit

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio (2)/(3)	Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1/1/2013	\$	\$ 6,593,500	\$ 6,593,500	0.00%	\$ 11,601,200	56.83%
1/1/2011		6,643,300	6,643,300	0.00%	11,886,000	55.89%
1/1/2009		6,200,800	6,200,800	0.00%	13,580,000	45.66%

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, 2014

	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	\$ -	\$ -	\$ 1,439	\$ 1,439
Recovered costs	-	209,919	-	(209,919)
Intergovernmental:				
Local government	-	-	29,743	29,743
Total revenues	\$ -	\$ 209,919	\$ 31,182	\$ (178,737)
EXPENDITURES				
Current:				
General government administration	\$ 185,000	\$ 264,952	\$ 223,376	\$ 41,576
Public safety	30,000	30,000	64,997	(34,997)
Public works	150,000	254,000	-	254,000
Community development	527,051	694,410	89,753	604,657
Capital projects	-	-	37,866	(37,866)
Debt service:				
Principal retirement	981,048	981,048	1,552,533	(571,485)
Interest and other fiscal charges	1,551,500	1,541,684	1,020,851	520,833
Bond issuance costs	-	-	34,201	(34,201)
Total expenditures	\$ 3,424,599	\$ 3,766,094	\$ 3,023,577	\$ 742,517
Excess (deficiency) of revenues over (under) expenditures	\$ (3,424,599)	\$ (3,556,175)	\$ (2,992,395)	\$ 563,780
OTHER FINANCING SOURCES (USES)				
Transfers in	3,424,599	3,556,175	\$ 3,121,780	\$ (434,395)
Issuance of revenue bond	-	-	3,536,000	3,536,000
Total other financing sources (uses)	\$ 3,424,599	\$ 3,556,175	\$ 6,657,780	\$ 3,101,605
Net change in fund balances	\$ -	\$ -	\$ 3,665,385	\$ 3,665,385
Fund balances - beginning	-	-	273,046	273,046
Fund balances - ending	\$ -	\$ -	\$ 3,938,431	\$ 3,938,431

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 Funds
June 30, 2014

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2014</u>
ASSETS				
Cash and cash equivalents				
Special Welfare Fund	\$ 60,526	\$ 103,287	\$ (102,804)	\$ 61,009
LIABILITIES				
Amounts held for Social Services clients	\$ 60,526	\$ 103,287	\$ (102,804)	\$ 61,009

**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, 2014

Exhibit 15

	School Operating Fund
ASSETS	
Cash and cash equivalents	\$ 2,991,414
Cash in custody of others	81,083
Receivables (net of allowance for uncollectibles):	
Accounts receivable	20,484
Due from other governmental units	696,447
Inventories	48,701
Prepaid items	123,339
Restricted assets:	
Cash and cash equivalents (in custody of others)	308,087
Total assets	<u>\$ 4,269,555</u>
LIABILITIES	
Accounts payable	\$ 16,467
Accrued payroll	2,094,853
Retainage payable	5,000
Total liabilities	<u>\$ 2,116,320</u>
FUND BALANCES	
Nonspendable:	
Prepaid items	\$ 123,339
Inventory	48,701
Restricted:	
School cafeteria	308,087
Committed:	
Total fund balances	<u>\$ 2,153,235</u>
Total liabilities and fund balances	<u>\$ 4,269,555</u>
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:	
Total fund balances per above	\$ 2,153,235
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Land	\$ 473,652
Construction in progress	621,846
Buildings and improvements	2,488,087
Machinery, equipment, and vehicles	<u>1,165,315</u>
	4,748,900
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	
Net OPEB obligation	\$ (289,670)
Compensated absences	<u>(414,372)</u>
	\$ (704,042)
Net position of governmental activities	<u>\$ 6,198,093</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, 2014

	School Operating Fund
REVENUES	
Revenue from the use of money and property	\$ 757
Charges for services	433,615
Miscellaneous	59,629
Recovered costs	266,471
Intergovernmental:	
Local government	6,069,145
Commonwealth	14,964,274
Federal	1,967,208
Total revenues	<u>\$ 23,761,099</u>
EXPENDITURES	
Current:	
Education	\$ 24,354,422
Total expenditures	<u>\$ 24,354,422</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (593,323)</u>
Net change in fund balances	\$ (593,323)
Fund balances - beginning	<u>2,746,558</u>
Fund balances - ending	<u><u>\$ 2,153,235</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	\$ (593,323)
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	\$ 421,922
Depreciation expense	<u>(594,878)</u>
	(172,956)
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	\$ 51,971
(Increase) decrease in net OPEB obligation	<u>(20,792)</u>
	31,179
Change in net position of governmental activities	<u><u>\$ (735,100)</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, 2014

	School Operating Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 150	\$ 150	\$ 757	\$ 607
Charges for services	464,650	464,650	433,615	(31,035)
Miscellaneous	59,528	69,036	59,629	(9,407)
Recovered costs	107,229	107,229	266,471	159,242
Intergovernmental:				
Local government	5,803,318	5,813,134	6,069,145	256,011
Commonwealth	15,184,133	15,184,133	14,964,274	(219,859)
Federal	1,729,364	1,729,364	1,967,208	237,844
Total revenues	\$ 23,348,372	\$ 23,367,696	\$ 23,761,099	\$ 393,403
EXPENDITURES				
Current:				
Education	\$ 23,818,372	\$ 23,837,696	\$ 24,354,422	\$ (516,726)
Total expenditures	\$ 23,818,372	\$ 23,837,696	\$ 24,354,422	\$ (516,726)
Excess (deficiency) of revenues over (under) expenditures	\$ (470,000)	\$ (470,000)	\$ (593,323)	\$ (123,323)
Net change in fund balances	\$ (470,000)	\$ (470,000)	\$ (593,323)	\$ (123,323)
Fund balances - beginning	470,000	470,000	2,746,558	2,276,558
Fund balances - ending	\$ -	\$ -	\$ 2,153,235	\$ 2,153,235

Supporting Schedules

County of Giles, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 5,672,374	\$ 5,672,374	\$ 5,874,589	\$ 202,215
Real and personal public service corporation taxes	930,636	930,636	969,441	38,805
Personal property taxes	1,695,569	1,695,569	1,940,936	245,367
Mobile home taxes	43,490	43,490	42,386	(1,104)
Machinery and tools taxes	3,134,009	3,134,009	3,350,158	216,149
Merchant's capital	162,334	162,334	171,486	9,152
Common carrier	16,500	16,500	6,684	(9,816)
Penalties	95,470	95,470	84,516	(10,954)
Interest	59,600	59,600	45,546	(14,054)
Total general property taxes	\$ 11,809,982	\$ 11,809,982	\$ 12,485,742	\$ 675,760
Other local taxes:				
Local sales and use taxes	\$ 1,201,830	\$ 1,201,830	\$ 1,279,513	\$ 77,683
Consumers' utility taxes	240,889	240,889	241,391	502
Consumption taxes	51,644	51,644	55,684	4,040
Gross receipts tax	10,948	10,948	5,028	(5,920)
Motor vehicle licenses	211,500	211,500	206,936	(4,564)
Local tax on deeds	57,976	57,976	76,644	18,668
Hotel and motel room taxes	59,680	97,906	91,698	(6,208)
Total other local taxes	\$ 1,834,467	\$ 1,872,693	\$ 1,956,894	\$ 84,201
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 5,447	\$ 5,447	\$ 4,885	\$ (562)
Land use application fees	500	500	280	(220)
Transfer fees	3,000	3,000	576	(2,424)
Variance and rezoning fees	0	0	2,935	2,935
Building permits	32,000	32,000	22,708	(9,292)
Other permits and other licenses			425	425
Total permits, privilege fees, and regulatory licenses	\$ 40,947	\$ 40,947	\$ 31,809	\$ (9,138)
Fines and forfeitures:				
Court fines and forfeitures	\$ 131,200	\$ 131,200	\$ 62,616	\$ (68,584)
Revenue from use of money and property:				
Revenue from use of money	\$ 208,000	\$ 208,000	\$ 122,658	\$ (85,342)
Revenue from use of property	43,495	50,107	42,286	(7,821)
Total revenue from use of money and property	\$ 251,495	\$ 258,107	\$ 164,944	\$ (93,163)
Charges for services:				
Charges for law enforcement and traffic control	\$ 7,476	\$ 10,250	\$ 8,207	\$ (2,043)
Charges for courthouse maintenance	30,000	30,000	30,052	52
Charges for processing arrest fee	1,800	1,800	2,121	321
Charges for Commonwealth's Attorney	2,729	2,729	2,701	(28)
Charges for nonconsecutive jail and blood test/dna fees	400	400	3,686	3,286
Charges for law library	2,300	2,300	1,696	(604)

County of Giles, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Charges for services: (Continued)				
Charges for copies	\$ 4,000	\$ 4,000	\$ 5,051	\$ 1,051
Charges for courtroom security fee	54,000	90,615	61,396	(29,219)
Charges for PSA billings	52,493	66,739	49,592	(17,147)
Charges for parks and recreation	287,200	291,333	251,355	(39,978)
Charges for US forest patrols	6,550	6,550	7,075	525
Charges for wellness center fees	175,000	175,000	172,700	(2,300)
Other charges for services	6,500	16,039	10,232	(5,807)
Total charges for services	\$ 630,448	\$ 697,755	\$ 605,864	\$ (91,891)
Miscellaneous revenue:				
Miscellaneous	\$ 17,855	\$ 34,483	\$ 43,716	\$ 9,233
Recovered costs:				
School resource officer	\$ 257,670	\$ 259,342	\$ 243,082	\$ (16,260)
Health insurance recoveries	149,000	149,000	139,900	(9,100)
Health department and Social Services	29,700	34,726	190,923	156,197
DMV license agent reimbursement	28,678	28,678	29,823	1,145
PSA recovered costs	112,494	112,494	97,116	(15,378)
Bicentennial Celebration	-	-	20	20
Other recovered costs	989,730	1,182,957	358,801	(824,156)
Total recovered costs	\$ 1,567,272	\$ 1,767,197	\$ 1,059,665	\$ (707,532)
Total revenue from local sources	\$ 16,283,666	\$ 16,612,364	\$ 16,411,250	\$ (201,114)
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' tax	\$ 125,000	\$ 125,000	\$ 130,983	\$ 5,983
Mobile home titling tax	15,000	15,000	12,676	(2,324)
Animal friendly plates	215	215	244	29
Motor vehicle rental tax	1,300	1,300	2,401	1,101
State recordation tax	39,500	39,500	53,628	14,128
Communications sales taxes	260,602	260,602	254,525	(6,077)
Personal property tax relief funds	1,227,860	1,227,860	1,227,860	-
Total noncategorical aid	\$ 1,669,477	\$ 1,669,477	\$ 1,682,317	\$ 12,840
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 282,372	\$ 292,195	\$ 283,462	\$ (8,733)
Sheriff	949,926	949,926	954,705	4,779
Commissioner of revenue	109,498	109,498	110,881	1,383
Treasurer	97,494	97,494	98,257	763
Registrar/electoral board	39,079	39,079	36,689	(2,390)
Clerk of circuit court	219,089	219,089	235,999	16,910
Total shared expenses	\$ 1,697,458	\$ 1,707,281	\$ 1,719,993	\$ 12,712

County of Giles, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Other categorical aid:				
Public assistance and welfare administration	\$ 700,047	\$ 700,047	\$ 818,984	\$ 118,937
State and Local Foster Care			6,470	6,470
Comprehensive Services Act program	958,074	958,074	866,041	(92,033)
Litter control grant	8,033	17,622	9,589	(8,033)
Hazmat revenue	15,000	15,000		(15,000)
Juvenile justice	8,729	8,729	9,243	514
Two-for-Life	16,503	16,503	16,469	(34)
Asset Forfeiture			8,559	8,559
Fire programs	27,247	27,247	31,396	4,149
Circuit court records grant			34,367	34,367
911 wireless grant	43,330	43,330	42,870	(460)
Other categorical aid	163,050	163,050	7,042	(156,008)
Total other categorical aid	\$ 1,940,013	\$ 1,949,602	\$ 1,851,030	\$ (98,572)
Total categorical aid	\$ 3,637,471	\$ 3,656,883	\$ 3,571,023	\$ (85,860)
Total revenue from the Commonwealth	\$ 5,306,948	\$ 5,326,360	\$ 5,253,340	\$ (73,020)
Revenue from the federal government:				
Non-categorical aid:				
Payments in lieu of taxes	\$ 49,524	\$ 49,524	\$ 85,227	\$ 35,703
Categorical aid:				
Public assistance and welfare administration	\$ 1,020,000	\$ 1,020,000	\$ 1,203,397	\$ 183,397
Comprehensive Services Act program			166,473	166,473
Tourism enhancement grant		9,679	17,350	7,671
State and community highway safety grants	14,000	16,760	13,984	(2,776)
Forfeited assets			28,906	28,906
Total categorical aid	\$ 1,034,000	\$ 1,046,439	\$ 1,430,110	\$ 383,671
Total revenue from the federal government	\$ 1,083,524	\$ 1,095,963	\$ 1,515,337	\$ 419,374
Total General Fund	\$ 22,674,138	\$ 23,034,687	\$ 23,179,927	\$ 145,240

County of Giles, Virginia
Schedule of Revenues - Budget and Actual
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For the Year Ended June 30, 2014

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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>
Capital Projects Fund:				
County Capital Improvements Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 1,439	\$ 1,439
Recovered costs:				
Other recovered costs	\$ -	\$ 209,919	\$ -	\$ (209,919)
Total revenue from local sources	\$ -	\$ 209,919	\$ 1,439	\$ (208,480)
Intergovernmental:				
Revenues from local governments:				
Contribution from Giles County School Board	\$ -	\$ -	\$ 29,743	\$ 29,743
Total County Capital Improvements Fund	\$ -	\$ 209,919	\$ 31,182	\$ (178,737)
Total Primary Government	\$ 22,674,138	\$ 23,244,606	\$ 23,211,109	\$ (33,497)
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	\$ 150	\$ 150	\$ 505	\$ 505
Revenue from the use of property	\$ -	\$ -	\$ 252	\$ 102
Total revenue from use of money and property	\$ 150	\$ 150	\$ 757	\$ 607
Charges for services:				
Charges for education	\$ 7,500	\$ 7,500	\$ 7,239	\$ (261)
Cafeteria sales	450,000	450,000	426,376	(23,624)
Transportation of pupils	650	650	-	(650)
Other charges for services	6,500	6,500	-	(6,500)
Total charges for services	\$ 464,650	\$ 464,650	\$ 433,615	\$ (31,035)
Miscellaneous revenue:				
Miscellaneous	\$ 59,528	\$ 69,036	\$ 59,629	\$ (9,407)
Recovered costs:				
Rebates and refunds	\$ 107,229	\$ 107,229	\$ 266,471	\$ 159,242
Total revenue from local sources	\$ 631,557	\$ 641,065	\$ 760,472	\$ 119,407
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Giles, Virginia	\$ 5,803,318	\$ 5,813,134	\$ 6,069,145	\$ 256,011

County of Giles, Virginia
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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:				
Categorical aid:				
Share of state sales tax	\$ 2,544,036	\$ 2,544,036	\$ 2,469,820	\$ (74,216)
Basic school aid	7,652,875	7,652,875	7,656,087	3,212
Remedial summer education	20,355	20,355	19,665	(690)
Regular foster care	26,999	26,999	9,308	(17,691)
Gifted and talented	82,371	82,371	81,918	(453)
Remedial education	234,579	234,579	233,288	(1,291)
School food	18,113	18,113	20,040	1,927
Special education	1,162,149	1,162,149	1,155,754	(6,395)
Textbook payment	160,677	160,677	159,793	(884)
Vocational education - occupational/technology	-	-	45,576	45,576
Vocational standards of quality payments	406,484	406,484	404,247	(2,237)
Vocational adult education	60,318	60,318	21,610	(38,708)
Social security fringe benefits	512,134	512,134	509,315	(2,819)
Retirement fringe benefits	990,944	990,944	851,233	(139,711)
Group life fringe benefits	32,232	32,232	32,055	(177)
Early reading intervention	38,713	38,713	56,931	18,218
Homebound education	6,270	6,270	14,268	7,998
Virginia preschool initiative	74,399	74,399	74,399	-
Primary class size	240,657	240,657	239,477	(1,180)
Technology	-	-	2,465	2,465
Standards of Learning algebra readiness	32,640	32,640	37,303	4,663
Vocational education - equipment	7,100	7,100	4,725	(2,375)
Preschool	343,054	343,054	149,164	(193,890)
E-rate	60,000	60,000	106,173	46,173
Special education - foster children	-	-	61,634	61,634
At risk payments	197,346	197,346	196,197	(1,149)
GED prep program	7,859	7,859	7,859	-
English as a second language	-	-	3,044	3,044
VPSA technology grants	206,000	206,000	50,788	(155,212)
Supplemental support	-	-	192,823	192,823
Other state funds	65,829	65,829	97,315	31,486
Total categorical aid	\$ 15,184,133	\$ 15,184,133	\$ 14,964,274	\$ (219,859)
Total revenue from the Commonwealth	\$ 15,184,133	\$ 15,184,133	\$ 14,964,274	\$ (219,859)
Revenue from the federal government:				
Categorical aid:				
Schools and roads	\$ 13,581	\$ 13,581	\$ 82,760	\$ 69,179
Literacy challenge grant	8,000	8,000	-	(8,000)
Title I	494,000	494,000	534,591	40,591
Title VI-B, special education flow-through	490,000	490,000	514,237	24,237

County of Giles, Virginia
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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 federal government:				
Categorical aid: (Continued)				
Vocational education	\$ 44,000	\$ 44,000	\$ 38,773	\$ (5,227)
Summer food service program			16,427	16,427
Title II	123,000	123,000	110,658	(12,342)
Special Education - preschool	14,783	14,783	14,876	93
National school lunch program	542,000	542,000	654,886	112,886
Total categorical aid	<u>\$ 1,729,364</u>	<u>\$ 1,729,364</u>	<u>\$ 1,967,208</u>	<u>\$ 237,844</u>
Total revenue from the federal government	<u>\$ 1,729,364</u>	<u>\$ 1,729,364</u>	<u>\$ 1,967,208</u>	<u>\$ 237,844</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 23,348,372</u>	<u>\$ 23,367,696</u>	<u>\$ 23,761,099</u>	<u>\$ 393,403</u>

County of Giles, Virginia
Schedule of Expenditures - Budget and Actual
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 117,404	\$ 140,433	\$ 134,914	\$ 5,519
General and financial administration:				
County administrator	\$ 202,048	\$ 227,842	\$ 224,098	\$ 3,744
Legal services	32,000	49,792	49,248	544
Commissioner of revenue	313,249	313,249	307,025	6,224
Assessor	250,000	250,000	102,204	147,796
Land use	9,211	9,211	8,305	906
Treasurer	355,648	466,163	391,825	74,338
PSA billing and collection	53,993	78,735	75,019	3,716
Department of motor vehicles	54,112	54,112	53,994	118
Total general and financial administration	\$ 1,270,261	\$ 1,449,104	\$ 1,211,718	\$ 237,386
Board of elections:				
Registrar	\$ 148,256	\$ 148,256	\$ 145,238	\$ 3,018
Total general government administration	\$ 1,535,921	\$ 1,737,793	\$ 1,491,870	\$ 245,923
Judicial administration:				
Courts:				
Circuit court	\$ 19,954	\$ 29,928	\$ 28,860	\$ 1,068
General district court	6,299	6,299	5,692	607
Magistrate	100	187	187	
Juvenile and domestic court	21,802	11,802	7,164	4,638
Clerk of the circuit court	356,318	350,818	353,773	(2,955)
Law library	6,556	6,556	4,039	2,517
Total courts	\$ 411,029	\$ 405,590	\$ 399,715	\$ 5,875
Commonwealth's attorney:				
Commonwealth's attorney	\$ 340,810	\$ 354,876	\$ 351,308	\$ 3,568
Total judicial administration	\$ 751,839	\$ 760,466	\$ 751,023	\$ 9,443
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 2,379,868	\$ 2,439,039	\$ 2,419,470	\$ 19,569
Criminal justice training	13,000	20,400	20,400	
Total law enforcement and traffic control	\$ 2,392,868	\$ 2,459,439	\$ 2,439,870	\$ 19,569
Fire and rescue services:				
Fire and rescue	\$ 166,833	\$ 167,223	\$ 215,088	\$ (47,865)
GIS system development	95,063	113,316	112,984	332
Ambulance service	304,167	277,990	277,990	
Total fire and rescue services	\$ 566,063	\$ 558,529	\$ 606,062	\$ (47,533)

County of Giles, Virginia
Schedule of Expenditures - Budget and Actual
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public Safety: (Continued)				
Correction and detention:				
New River Valley Regional Jail	\$ 1,015,848	\$ 995,848	\$ 966,500	\$ 29,348
NRV juvenile detention	107,333	107,333	107,333	
Total correction and detention	\$ 1,123,181	\$ 1,103,181	\$ 1,073,833	\$ 29,348
Inspections:				
Building official	\$ 218,343	\$ 218,343	\$ 214,306	\$ 4,037
Other protection:				
Animal control	\$ 2,236	\$ 2,236	\$ -	\$ 2,236
Medical examiner	500	500	340	160
Emergency services	46,600	46,600	65,504	(18,904)
Inmate work program	102,075	142,901	140,343	2,558
Haz-mat services	15,684	8,684	5,224	3,460
School Resource Officer	241,268	245,680	221,705	23,975
US forest service	7,500	14,112	10,578	3,534
Law enforcement grants	16,148	18,908	16,699	2,209
Total other protection	\$ 432,011	\$ 479,621	\$ 460,393	\$ 19,228
Total public safety	\$ 4,732,466	\$ 4,819,113	\$ 4,794,464	\$ 24,649
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ 150	\$ 150	\$ -	\$ 150
Sanitation and waste removal:				
Landfill monitoring	\$ 82,860	\$ 43,360	\$ 40,025	\$ 3,335
Weed control	3,000	3,000	2,999	1
Total sanitation and waste removal	\$ 85,860	\$ 46,360	\$ 43,024	\$ 3,336
Maintenance of general buildings and grounds:				
General properties	\$ 384,637	\$ 722,727	\$ 721,907	\$ 820
Total public works	\$ 470,647	\$ 769,237	\$ 764,931	\$ 4,306
Health and welfare:				
Health:				
Supplement of local health department	\$ 123,500	\$ 123,500	\$ 123,500	\$ -
Mental health and mental retardation:				
Community services board	\$ 51,450	\$ 51,450	\$ 51,450	\$ -

County of Giles, Virginia
Schedule of Expenditures - Budget and Actual
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Health and welfare: (Continued)				
Welfare:				
Comprehensive services	\$ 1,382,339	\$ 1,382,339	\$ 1,486,910	\$ (104,571)
Welfare administration and public assistance	2,096,065	2,096,065	2,387,625	(291,560)
Fairview home	18,084	18,084	18,084	-
NRVSS nutrition program	8,930	7,930	5,245	2,685
NRV disability services board	1,275	1,275	1,275	-
New River community action	13,680	13,680	13,680	-
Women's resource center	5,358	5,358	5,358	-
Free clinic of the NRV, Inc.	8,000	8,000	8,000	-
Area agency on aging	7,324	7,324	7,324	-
Senior center	75,204	76,435	74,727	1,708
Literacy volunteers of America	445	445	445	-
State and local hospitalization	1,400	-	-	-
NRV cares	250	250	250	-
Total welfare	\$ 3,618,354	\$ 3,617,185	\$ 4,008,923	\$ (391,738)
Total health and welfare	\$ 3,793,304	\$ 3,792,135	\$ 4,183,873	\$ (391,738)
Education:				
Educational costs:				
Contributions to Community College	\$ 8,764	\$ 8,764	\$ 8,764	\$ -
Contribution to County School Board	5,803,318	5,813,134	6,098,888	(285,754)
Total education	\$ 5,812,082	\$ 5,821,898	\$ 6,107,652	\$ (285,754)
Parks, recreation, and cultural:				
Parks and recreation:				
Swimming pool	\$ 10,000	\$ 10,000	\$ 2,215	\$ 7,785
Golf course	197,896	302,564	291,203	11,361
Castle Rock operations	63,097	63,097	59,498	3,599
Wellness center	183,761	248,628	234,456	14,172
Boat ramp	-	-	37,579	(37,579)
Other recreation and cultural enrichment	82,420	82,420	82,419	1
Total parks and recreation	\$ 537,174	\$ 706,709	\$ 707,370	\$ (661)
Library:				
Contribution to county library	\$ 29,250	\$ 29,250	\$ 29,250	\$ -
Total parks, recreation, and cultural	\$ 566,424	\$ 735,959	\$ 736,620	\$ (661)
Community development:				
Planning and community development:				
County planner	\$ 71,907	\$ 81,055	\$ 79,911	\$ 1,144
Planning commission	20,026	18,026	16,451	1,575
Contribution to IDA	136,504	136,504	436,974	(300,470)
Zoning Board	538	538	252	286
Tourism	-	97,906	97,906	-
Other community development	42,407	52,086	50,501	1,585
Total planning and community development	\$ 271,382	\$ 386,115	\$ 681,995	\$ (295,880)

County of Giles, Virginia
Schedule of Expenditures - Budget and Actual
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Community development: (Continued)				
Environmental management:				
Contributions to soil and water districts	\$ 8,940	\$ 8,940	\$ 8,700	\$ 240
Cooperative extension program:				
Extension office	\$ 67,681	\$ 67,681	\$ 67,397	\$ 284
Total community development	\$ 348,003	\$ 462,736	\$ 758,092	\$ (295,356)
Nondepartmental:				
Fringe benefits and fuel charges	\$ 711,756	\$ 677,990	\$ 678,231	\$ (241)
Debt service:				
Principal retirement	\$ 41,571	\$ 41,571	\$ 41,571	\$ -
Interest and other fiscal charges	7,541	7,541	7,541	-
Total debt service	\$ 49,112	\$ 49,112	\$ 49,112	\$ -
Total General Fund	\$ 18,771,554	\$ 19,626,439	\$ 20,315,868	\$ (689,429)
Capital Projects Fund:				
County Capital Improvements Fund:				
General and financial administration:				
Information Technology	\$ 135,000	\$ 210,000	\$ 168,724	\$ 41,276
TANIF project	50,000	54,952	54,652	300
Total general and financial administration	\$ 185,000	\$ 264,952	\$ 223,376	\$ 41,576
Public Safety:				
Radio system	\$ 30,000	\$ 30,000	\$ 64,997	\$ (34,997)
Public Works:				
County wide signage	\$ 75,000	\$ -	\$ -	\$ -
Telephone system	75,000	-	-	-
Roof NEMS	-	254,000	-	254,000
Total Public Works	\$ 150,000	\$ 254,000	\$ -	\$ 254,000
Community development:				
Planning and community development:				
Economic development	\$ 310,851	\$ 476,662	\$ 63,472	\$ 413,190
Bluff City Landing	100,000	101,548	500	101,048
Whitt River Bend Park Landing	100,000	100,000	-	100,000
DGIF boat ramps	16,200	16,200	25,781	(9,581)
Total community development	\$ 527,051	\$ 694,410	\$ 89,753	\$ 604,657
Capital projects:				
Engineering fees	\$ -	\$ -	\$ 37,866	\$ (37,866)

County of Giles, Virginia
Schedule of Expenditures - Budget and Actual
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Capital Projects Fund: (Continued)				
County Capital Improvements Fund: (Continued)				
Debt service:				
Principal retirement	\$ 981,048	\$ 981,048	\$ 1,552,533	\$ (571,485)
Interest and other fiscal charges	1,551,500	1,541,684	1,020,851	520,833
Bond issuance costs			34,201	(34,201)
Total debt service	\$ 2,532,548	\$ 2,522,732	\$ 2,607,585	\$ (84,853)
 Total County Capital Improvements Fund	 \$ 3,424,599	 \$ 3,766,094	 \$ 3,023,577	 \$ 742,517
 Total Primary Government	 \$ 22,196,153	 \$ 23,392,533	 \$ 23,339,445	 \$ 53,088
 Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Education:				
Instruction costs:				
Instruction costs	\$ 15,728,613	\$ 16,443,945	\$ 16,388,784	\$ 55,161
Operating costs:				
Attendance and health services	\$ 924,229	\$ 924,229	\$ 941,819	\$ (17,590)
Pupil transportation	1,190,860	1,256,925	1,434,839	(177,914)
Operation and maintenance of school plant	2,387,758	2,387,758	3,052,683	(664,925)
Facilities	400,000	253,657	248,882	4,775
Technology	1,179,981	1,179,981	1,191,755	(11,774)
Total operating costs	\$ 6,082,828	\$ 6,002,550	\$ 6,869,978	\$ (867,428)
School food services:				
Administration of school food program	\$ 2,006,931	\$ 1,391,201	\$ 1,095,660	\$ 295,541
 Total Discretely Presented Component Unit - School Board	 \$ 23,818,372	 \$ 23,837,696	 \$ 24,354,422	 \$ (516,726)

Other Statistical Information

Table 1

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

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

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

Table 2

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

PROGRAM REVENUES				GENERAL REVENUES								
Fiscal Year	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
2013-14	\$ 1,231,925	\$ 5,001,133	\$ 54,727	\$ 12,476,520	\$ 1,956,894	\$	\$	\$ 170,803	\$ 43,716	\$ 1,767,544	\$	\$ 22,703,262
2012-13	1,207,568	4,493,402	113,826	12,073,980	1,919,216			237,267	47,256	1,875,527	14,027	21,982,069
2011-12	1,326,038	4,539,944	170,824	11,877,251	1,746,202			275,397	24,655	1,695,160		21,655,471
2010-11	1,158,123	4,203,780	873,251	11,722,260	1,749,017			266,669	462,209	1,689,126		22,124,435
2009-10	1,186,168	4,285,122	496,558	11,187,893	1,664,585			317,919	35,136	1,585,229		20,758,610
2008-09	1,285,528	4,388,647	221,660	11,050,675	1,912,001			372,250	994,633	1,585,670		21,811,064
2007-08	1,052,921	4,295,126	1,848,937	10,606,003	2,044,328			308,607	37,991	1,478,463		21,672,376
2006-07	981,279	4,884,180	51,714	10,266,359	1,723,520			286,779	20,244	1,664,325		19,878,400
2005-06	909,805	3,736,766	274,568	9,499,802	1,859,770			263,587	23,245	1,595,836		18,163,379
2004-05	749,708	2,959,790	342,440	9,380,467	1,850,521	72,326	26,428	158,976	50,507	1,571,776		17,162,939

Table 3

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

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

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

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

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

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

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

Table 4

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

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

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

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

Table 5

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

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

(1) Exclusive of penalties and interest.

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

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

Table 6

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

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

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

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

Table 7

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

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

(1) Per \$100 of assessed value.

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

Table 8

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

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

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

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

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

Table 9

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

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

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

(2) See Table 3 for excluded refunding amounts.

COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

**To 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 County of Giles, Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise County of Giles, Virginia's basic financial statements and have issued our report thereon dated December 22, 2014.

Internal Control over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness [2014-001].

Compliance and Other Matters

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

County of Giles, Virginia's Response to Findings

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

Purpose of this Report

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

Robinson, Turner, Co. Associates

Blacksburg, Virginia
December 22, 2014

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

Report on Compliance for Each Major Federal Program

We have audited County of Giles, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of County of Giles, Virginia's major federal programs for the year ended June 30, 2014. County of Giles, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

Opinion on Each Major Federal Program

In our opinion, 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, 2014.

Report on Internal Control over Compliance

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

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

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

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

Robinson, Turner, Co. Associates

Blacksburg, Virginia
December 22, 2014

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014**

Federal Grantor/ State Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
DEPARTMENT OF AGRICULTURE:			
Pass Through Payments:			
Child Nutrition Cluster:			
<i>State Department of Agriculture:</i>			
Food Distribution-Schools (Note 3)	10.555	Not applicable	\$ 87,739
<i>Department of Education:</i>			
National School Lunch Program	10.555	40623	476,805
National School Lunch Program Subtotal			<u>564,544</u>
School Breakfast Program	10.553	40591	90,342
Summer Food Service Program for Children	10.559	Not applicable	16,427
<i>Department of Social Services:</i>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010113,0010114, 0040113,0040114	182,113
<i>Department of Education:</i>			
Schools and Roads - Grants to States	10.665	43841	82,760
Total Department of Agriculture			<u>\$ 936,186</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Pass Through Payments:			
<i>Department of Social Services:</i>			
Promoting Safe and Stable Families	93.556	0950113	\$ 13,369
Temporary Assistance for Needy Families	93.558	0400113,0400114	181,029
Refugee and Entrant Assistance - State Administered Programs	93.566	0500113,0500114	1,095
Low-Income Home Energy Assistance	93.568	0600413,0600414	20,168
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760113,0760114	30,449
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900113,0900114	1,370
Foster Care - Title IV-E	93.658	1100113,1100114	316,600
Adoption Assistance	93.659	1120113,1120114	156,549
Social Services Block Grant	93.667	1000113,1000114	297,110
Chafee Foster Care Independence Program	93.674	9150113,9150114	4,087
Children's Health Insurance Program	93.767	0540113,0540114	5,476
Medical Assistance Program	93.778	1200113,1200114	160,455
Total Department of Health and Human Services			<u>\$ 1,187,757</u>
DEPARTMENT OF JUSTICE:			
Direct Payments:			
<i>Department of Criminal Justice Services:</i>			
Equitable Sharing Program	16.922	Not applicable	\$ 28,906
DEPARTMENT OF EDUCATION:			
Pass Through Payments:			
<i>Department of Education:</i>			
Title I Grants to Local Educational Agencies	84.010	42901	\$ 534,591
Special Education Cluster (IDEA):			
Special Education-Grants to States	84.027	43071	514,237
Special Education-Preschool Grants	84.173	62521	14,876
Career and Technical Education: Basic Grants to States	84.048	61095	38,773
Improving Teacher Quality-State Grants	84.367	61480	110,658
Total Department of Education			<u>\$ 1,213,135</u>

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Federal Grantor/ State Pass-Through Grantor/ Program Title	Federal Catalog Number	Entity Identifying Number	Federal Disbursements
DEPARTMENT OF TRANSPORTATION:			
Pass Through Payments:			
Department of Motor Vehicles:			
State and Community Highway Safety	20.600	SC-2013-53305-5020 SC-2014-54228-5476 AL-2013-53307-5022 AL-2014-54235-5483	\$ 13,984
Highway Planning and Construction (TEA-21)	20.205	Not applicable	17,350
Total Department of Transportation			\$ 31,334
APPALACHIAN REGIONAL COMMISSION:			
Direct Payments:			
Appalachian Area Development	23.002	Not applicable	\$ 54,727
Total Expenditures of Federal Awards			\$ 3,452,045

Notes to Schedule of Expenditures of Federal Awards:

Note 1 -- Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of County of Giles, Virginia under programs of the federal government for the year ended June 30, 2014. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-profit Organizations*. Because the Schedule presents only a selected portion of the operations of County of Giles, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of County of Giles, Virginia.

Note 2 -- Summary of Significant Accounting Policies

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

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

Note 3 -- Food Distribution

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2014, Giles County, Virginia had food commodities totaling \$87,739 in inventory.

Note 4 -- Relationship to the Financial Statements:

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund

Less: Payments in lieu of taxes

\$ 1,515,337

Water Department Fund - Contributions in Aid of Construction

(85,227)

54,727

Total primary government

\$ 1,484,837

Component Units:

School Board

\$ 1,967,208

Total Federal Expenditures per Basic Financial Statements

\$ 3,452,045

Federal expenditures per the Schedule of Expenditures of Federal Awards

\$ 3,452,045

County of Giles, Virginia

Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

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

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

Federal Awards

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

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
10.553/10.555/10.559	Child Nutrition Cluster
84.010	Title I Grants to Local Educational Agencies
84.027/84.173	Special Education Cluster (IDEA)
93.658	Foster Care - Title IV-E

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

County of Giles, Virginia

Schedule of Findings and Questioned Costs
Year Ended June 30, 2014**Section II - Financial Statement Findings****2014-001**

Criteria:	Per Statement of Auditing Standards 115 (SAS 115), identification of a material adjustment to the financial statements that was not detected by the entity's internal controls indicates that a material weakness exists.
Condition:	The financial statements, as presented for audit, did not contain all necessary adjustments to comply with generally accepted principles (GAAP). As such, the auditor proposed adjustments that were material to the financial statements.
Cause of Condition:	The County does not have proper controls in place to detect and correct misstatements in closing their year end financial statements. This comment was caused by the omission of the issuance of the new lease revenue bond series 2014 that affected the Primary Government and the Component Unit-Industrial Development Authority.
Effect of Condition:	There is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal controls over financial reporting.
Recommendation:	The County should review the auditors' proposed audit adjustments for 2014 and develop a plan to ensure that trial balances and related schedules are presented accurately for audit.
Management's Response:	The County will review the auditors' proposed audit adjustments for 2014 and will develop a plan of action to ensure that all adjusting entries are made prior to final audit fieldwork next year.

Section III - Federal Award Findings and Questioned Costs

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

Section IV - Status of Prior Audit Findings and Questioned Costs

Financial Statement Finding 2013-1 was corrected in current year; however, 2013-2 is recurring in the current year as 2014-001.