GREENSVILLE COUNTY SCHOOL BOARD

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

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2016

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY CERTIFIED PUBLIC ACCOUNTANTS

CHARLOTTESVILLE ▫ RICHMOND ▫ FREDERICKSBURG ▫ STAUNTON ▫ BLACKSBURG ▫ LOUISA

Greensville County School Board

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

School Board

Rhonda Jones-Gilliam, Chairman

Marva J. Dunn, Vice-Chairman

Janey V. Bush

Alexis Jones

Bessie Reed-Moore

Danny Rook

Superintendent of Schools

Dr. Angela B. Wilson

Table of Contents

INDEPENDENT AUDITORS' REPORT

TO GREENSVILLE COUNTY SCHOOL BOARD
EMPORIA, VIRGINIA

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Greensville County School Board, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Greensville County School Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Greensville County School Board, as of June 30, 2016, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2016, the School Board adopted new accounting guidance, GASB Statement Nos. 72 Fair Value Measurement and Application, 79 Certain External Investment Pools and Pool Participants, 82 Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and schedules related to pension and OPEB funding on pages 4-7, 52-53, and 54-58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Greensville County School Board's basic financial statements. The other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2017, on our consideration of Greensville County School Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Greensville County School Board's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
January 24, 2017

As management of Greensville County School Board (a component unit of the County of Greensville, Virginia), we offer this narrative overview and analysis of the financial performance and overview of the School Board's financial activities for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented herein in connection with the School Board's basic financial statements.

Financial Highlights for FY2016

The liabilities and deferred inflows of resources of the School Board exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by $5,898,458.

The School Board's net position increased by $1,119,753 for the current year.

Overview of the Financial Statements

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

1. Government—wide financial statements,

2. Fund financial statements, and

3. Notes to financial statements.

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

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

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

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

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

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

Overview of the Financial Statements (continued)

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

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

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a board's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by $5,898,458 at the close of the most recent fiscal year.

Financial Analysis of the School Board as a Whole

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

Statement of Net Position

The following table reflects the condensed Statements of Net Position:

Summary Statement of Net Position
June 30, 2016 and 2015

	2016	2015
Current and other assets	$ 5,973,598	$ 5,516,236
Capital assets	14,089,118	13,596,307
Total assets	$ 20,062,716	$ 19,112,543
Deferred outflow of resources	$ 2,289,604	$ 1,793,153
Current liabilities	$ 4,826,397	$ 4,395,739
Long-term liabilities	21,146,500	19,572,897
Total liabilities	$ 25,972,897	$ 23,968,636
Deferred inflows of resources	$ 2,277,881	$ 3,955,271
Net position:		
Investment in capital assets	$ 14,089,118	$ 13,596,307
Unrestricted	(19,987,576)	(20,614,518)
Total net position	$ (5,898,458)	$ (7,018,211)

Statement of Net Position (Continued)

The School Board's combined net position increased by $1,119,753 during the year. The increase in current and other assets is attributable to increased cash and cash equivalents.

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

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

Changes in Net Position
For the Year Ended June 30, 2016 and 2015

	Governmental Activities	
	2016	2015
Revenues:		
Program revenues:		
Charges for services	$ 4,046,838	$ 4,184,471
Operating grants and contributions	9,636,624	9,417,111
General revenues:		
Basic aid	8,522,456	8,518,178
State sales tax	2,567,415	2,502,675
Grants and other contributions unrestricted	3,277,407	3,325,208
Other	333,358	228,892
Total revenues	$ 28,384,098	$ 28,176,534
Expenses:		
Instruction	$ 20,569,033	$ 20,868,992
Administration, Attendance & Health	1,148,392	1,132,499
Pupil Transportation Services	1,540,571	1,630,745
Operation & Maintenance Services	2,573,460	2,007,345
School Food Service	1,432,889	1,412,845
Total expenses	$ 27,264,345	$ 27,052,426
Increase (decrease) in net position	$ 1,119,753	$ 1,124,108
Net position - beginning, as adjusted	(7,018,211)	(8,142,319)
Net position - ending	$ (5,898,458)	$ (7,018,211)

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

Statement of Net Position (Continued)

Greensville County School Board's investment in capital assets as of June 30, 2016 and 2015 amounts to $14,089,118 and $13,596,307 (net of accumulated depreciation), respectively. Below is a list of the items that make up capital assets as of June 30, 2016 and 2015.

	2016	2015
Land	$ 442,775	$ 442,775
Buildings and improvements (net)	11,480,577	10,960,935
Machinery & equipment (net)	2,165,766	2,192,597
Total capital assets	$ 14,089,118	$ 13,596,307

See Note 5 for more information.

Economic Factors and Review of Operations

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

The School Board has a cost agreement between the County of Greensville, Virginia and the City of Emporia, Virginia. The current contract was approved in December 2002 and expires in June of 2018. The agreement allocates the net local costs for each locality for education. For the year ended June 30, 2016, the School Board had local costs of $7,210,987. The local costs were allocated based on the agreement as follows:

	Local
County of Greensville, Virginia	$ 3,883,771
City of Emporia, Virginia	3,327,216
Total Local Costs	$ 7,210,987

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

See Note 6 for more information.

Contacting the School Board's Financial Management

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

BASIC FINANCIAL STATEMENTS

- Government-wide Financial Statements -

GREENSVILLE COUNTY SCHOOL BOARD **Exhibit 1**
(A COMPONENT UNIT OF THE COUNTY OF GREENSVILLE, VIRGINIA)

Statement of Net Position
June 30, 2016

		Governmental Activities
ASSETS		
Cash and cash equivalents	$	4,318,637
Due from other governmental units		1,255,228
Prepaid items		327,835
Net pension asset		71,898
Capital assets (net of accumulated depreciation):		
Land		442,775
Buildings and improvements		11,480,577
Machinery and equipment		2,165,766
Total assets	$	20,062,716
DEFERRED OUTFLOWS OF RESOURCES		
Post measurement date employer pension contributions	$	1,770,268
Changes in proportionate share		498,000
Net difference of actual and expected pension experience		21,336
Total deferred outflows of resources	$	2,289,604
LIABILITIES		
Accounts payable	$	660,293
Accrued liabilities		1,851,165
Due to City of Emporia		548,624
Due to County of Greensville		1,266,315
Long-term advance		500,000
Long-term liabilities:		
Due in more than one year		21,146,500
Total liabilities	$	25,972,897
DEFERRED INFLOWS OF RESOURCES		
Net difference of actual and expected pension asset earnings	$	1,430,881
Net difference of actual and expected pension experience		288,000
Changes in proportionate share of employer contributions		559,000
Total deferred inflows of resources	$	2,277,881
NET POSITION		
Investment in capital assets	$	14,089,118
Unrestricted		(19,987,576)
Total net position	$	(5,898,458)

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

Exhibit 2

Statement of Activities
For the Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental activities:					
Instruction	$ 20,569,033	$ 3,777,135	$ 8,487,833	$ -	$ (8,304,065)
Administration, attendance and health	1,148,392	-	-	-	(1,148,392)
Pupil transportation services	1,540,571	-	-	-	(1,540,571)
Operation and maintenance services	2,573,460	-	-	-	(2,573,460)
School food service	1,432,889	269,703	1,148,791	-	(14,395)
Total governmental activities	$ 27,264,345	$ 4,046,838	$ 9,636,624	$ -	$ (13,580,883)
General revenues:					
Basic aid					$ 8,522,456
State sales tax					2,567,415
Unrestricted revenues from use of money and property					104
Miscellaneous					333,254
Payment from County of Greensville					3,277,407
Total general revenues					$ 14,700,636
Change in net position					$ 1,119,753
Net position - beginning					(7,018,211)
Net position - ending					$ (5,898,458)

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

BASIC FINANCIAL STATEMENTS

- Fund Financial Statements -

GREENSVILLE COUNTY SCHOOL BOARD **Exhibit 3**
(A COMPONENT UNIT OF THE COUNTY OF GREENSVILLE, VIRGINIA)

Balance Sheet
Governmental Funds
June 30, 2016

		General		School Cafeteria		School Capital Projects		Total
ASSETS								
Cash and cash equivalents	$	3,698,162	$	489,843	$	130,632	$	4,318,637
Due from other funds		-		-		271,949		271,949
Due from other governmental units		1,072,349		182,879		-		1,255,228
Prepaid items		327,835		-		-		327,835
Total assets	$	5,098,346	$	672,722	$	402,581	$	6,173,649
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	$	660,293	$	-	$	-	$	660,293
Accrued liabilities		1,851,165		-		-		1,851,165
Due to City of Emporia		548,624		-		-		548,624
Due to County of Greensville		1,266,315		-		-		1,266,315
Due to other funds		271,949		-		-		271,949
Long term advance		500,000		-		-		500,000
Total liabilities	$	5,098,346	$	-	$	-	$	5,098,346
Fund balances:								
Nonspendable:								
Prepaid items	$	327,835	$	-	$	-	$	327,835
Restricted:								
Capital projects - various projects		-		-		402,581		402,581
Committed to:								
School cafeteria fund		-		672,722		-		672,722
Unassigned		(327,835)		-		-		(327,835)
Total fund balances	$	-	$	672,722	$	402,581	$	1,075,303
Total liabilities and fund balances	$	5,098,346	$	672,722	$	402,581	$	6,173,649

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

Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2016

Amounts reported for governmental activities in the Statement of Net Position are different because:				
Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds			$	1,075,303
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The amounts reported below are net of accumulated depreciation.				
Land	$	442,775		
Buildings and improvements		11,480,577		
Machinery and equipment		2,165,766		14,089,118
The net pension asset is not an available resource and, therefore, is not reported in the funds - Nonprofessional group				71,898
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.				
Items related to measurement of net pension liability				(2,277,881)
Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds.				1,770,268
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.				
Net pension liability - teachers cost-sharing pool	$	(20,913,000)		
Deferred outflows related to measurement of net pension liability		519,336		
Net OPEB obligation		(233,500)		(20,627,164)
Net position of governmental activities			$	(5,898,458)

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

GREENSVILLE COUNTY SCHOOL BOARD **Exhibit 5**
(A COMPONENT UNIT OF THE COUNTY OF GREENSVILLE, VIRGINIA)

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2016

	General	School Cafeteria	School Capital Projects	Total
REVENUES				
Revenue from the use of money and property	$ 104	$ -	$ -	$ 104
Charges for services	3,777,135	269,703	-	4,046,838
Miscellaneous	332,478	776	-	333,254
Intergovernmental:				
Local government	1,918,117	-	-	1,918,117
Commonwealth	17,083,960	29,893	-	17,113,853
Federal	2,189,744	1,102,898	-	3,292,642
Total revenues	$ 25,301,538	$ 1,403,270	$ -	$ 26,704,808
EXPENDITURES				
Current:				
Education:				
Instruction	$ 20,018,377	$ -	$ -	$ 20,018,377
Administration, attendance and health	1,163,711	-	-	1,163,711
Pupil transportation services	1,595,989	-	-	1,595,989
Operation and maintenance services	2,523,461	-	-	2,523,461
School food service	-	1,448,464	-	1,448,464
Total expenditures	$ 25,301,538	$ 1,448,464	$ -	$ 26,750,002
Excess (deficiency) of revenues over (under) expenditures	$ -	$ (45,194)	$ -	$ (45,194)
Net change in fund balances	$ -	$ (45,194)	$ -	$ (45,194)
Fund balances - beginning	-	717,916	402,581	1,120,497
Fund balances - ending	$ -	$ 672,722	$ 402,581	$ 1,075,303

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

Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2016

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

Net change in fund balances - total governmental funds		$ (45,194)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.		
Capital asset additions	$ 316,570	
Capital outlay for jointly owned assets	1,483,780	
Depreciation	(1,307,539)	492,811
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in deferred inflows related to the measurement of the net pension liability		1,677,390
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.		
(Increase) decrease in net pension liability - teachers cost-sharing pool	(1,363,000)	
Increase (decrease) in net pension asset - nonprofessional group	(120,305)	
Increase (decrease) in deferred outflows related to pension payments subsequent to the measurement date	(22,885)	
Items related to the measurement of the net pension liability	519,336	
(Increase) decrease in net OPEB obligation	(18,400)	(1,005,254)
Change in net position of governmental activities		$ 1,119,753

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

Note 1 - Summary of Significant Accounting Policies:

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

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

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

Financial Statement Presentation

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

Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

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

A. Financial Reporting Entity

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a primary governmental unit's reporting entity for basic financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the organization's governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in its reporting entity. These financial statements present the Greensville County School Board. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize it is legally separate from the government. Greensville County School Board has no component units at June 30, 2016.

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

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

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

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

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

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

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

1. Governmental Funds

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

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

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

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

1. Governmental Funds (continued)

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

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

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

C. Budgets and Budgetary Accounting

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

1. Prior to March 30, the School Board submits to the Board of Supervisors, a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating budget and capital budget includes proposed expenditures and the means of financing them.

2. Public hearings are conducted to obtain citizen comments.

3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution by the Board of Supervisors of Greensville County.

4. The Appropriations Resolution places legal restrictions on expenditures at the department level or category level. The appropriation for each department or category can be revised only by the Board of Supervisors upon request by the School Board.

5. Formal budgetary integration is employed as a management control device during the year and budgets are legally adopted for the Special Revenue Funds and the Capital Projects Fund.

6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

7. All appropriations lapse on June 30, for all School Board expenditures.

D. Cash and Cash Equivalents

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

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds and repurchase agreements. The School Board has no investments at June 30, 2016.

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

E. Receivables and Payables

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

F. Capital Assets

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

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

G. Compensated Absences

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

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

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

H. Fund Equity

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

- Nonspendable fund balance – amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);

- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;

- Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;

- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;

- Unassigned fund balance – amounts that are available for any purpose; positive amounts are only reported in the general fund.

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

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

I. Pensions

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

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

J. Use of Estimates

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

K. Prepaid Items

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

L. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School Board has one item that qualifies for reporting in this category. It is comprised of certain items related to the measurement of the net pension asset or liability. These include differences between expected and actual experience, change in assumptions, and the net difference between projected and actual earnings on pension plan investments, and the School Board reports contributions to the pension plan made during the current year and subsequent to the net pension asset or liability measurement date, which will be recognized as a reduction of the net pension asset or liability next fiscal year. For more detailed information on these items, reference the pension note.

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

M. Net Position

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

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

N. Net Position Flow Assumption

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

O. Adoption of Accounting Principles

Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*

The School Board implemented the provisions of the above Statement during the fiscal year ended June 30, 2016. The Statement generally requires investments to be measured at fair value. The Statement requires the School Board to use valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach or an income approach. The Statement establishes a hierarchy of inputs used to measure fair value. There was no material impact on the School Board's financial statement as a result of the implementation of Statement No. 72.

Governmental Accounting Standards Board Statement No. 79, *Certain External Investment Pools and Pool Participants*

The School Board implemented the provisions of the above Statement during the fiscal year ended June 30, 2016. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. There was no material impact on the School Board's financial statement as a result of the implementation of Statement No. 79.

Governmental Accounting Standards Board Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*

The School Board early implemented provisions of the above Statement during the fiscal year ended June 30, 2016. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans,* No. 68, *Accounting and Financial Reporting for Pensions,* and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.* Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. No restatement was required as a result of this implementation.

Note 2 - Deposits and Investments:

Deposits

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

Investments

Statutes authorize the School Board to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP). The School Board has no investments at June 30, 2016.

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

At June 30, 2016 the School Board has receivables from other governments as follows:

	General	School Cafeteria	Total Governmental Activities
Commonwealth of Virginia:			
State sales tax	$ 465,295	$ -	$ 465,295
Federal Government:			
21st century learning	51,245	-	51,245
Title I	297,696	-	297,696
Title II	22,407	-	22,407
Title VI-B	233,351	-	233,351
Vocational Education	2,355	-	2,355
School food program	-	182,879	182,879
Total due from other governments	$ 1,072,349	$ 182,879	$ 1,255,228

Amounts due to other governments are as follows:

Other Local Governments:	
County of Greensville	$ 1,266,315
City of Emporia	548,624
	$ 1,814,939

Note 4 - Interfund Balances:

Interfund balances for the year ended June 30, 2016 consisted of the following:

Fund	Due From Balance	Due To Balance
General	$ -	$ 271,949
School Capital Projects	271,949	-
Total	$ 271,949	$ 271,949

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

Note 5 - Capital Assets:

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

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Capital assets not being depreciated:				
Land	$ 442,775	$ -	$ -	$ 442,775
Total capital assets not being depreciated	$ 442,775	$ -	$ -	$ 442,775
Capital assets being depreciated:				
Buildings and improvements	$ 35,506,234	$ -	$ -	$ 35,506,234
Machinery and equipment	5,870,492	316,570	123,962	6,063,100
Jointly owned assets	(13,897,304)	1,483,780	-	(12,413,524)
Total capital assets being depreciated	$ 27,479,422	$ 1,800,350	$ 123,962	$ 29,155,810
Accumulated depreciation:				
Buildings and improvements	$ 13,560,711	$ 839,648	$ -	$ 14,400,359
Machinery and equipment	3,677,895	343,401	123,962	3,897,334
Jointly owned assets	(2,912,716)	425,940	301,450	(2,788,226)
Total accumulated depreciation	$ 14,325,890	$ 1,608,989	$ 425,412	$ 15,509,467
Total capital assets being depreciated, net	$ 13,153,532	$ 191,361	$ (301,450)	$ 13,646,343
Governmental activities capital assets, net	$ 13,596,307	$ 191,361	$ (301,450)	$ 14,089,118

Note 5 - Capital Assets: (continued)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:		
Instruction	$	1,266,927
Pupil transportation services		213,694
Operation and maintenance services		124,874
School food service		3,494
	$	1,608,989

Note 6 - Local Contributions:

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

	Actual Net Contribution By Localities	Principal Payments	Interest Payments	Contributions Per Financial Statements
Greensville	$ 3,883,771	$ 1,537,893	$ 427,761	$ 1,918,117
Emporia	3,327,216	-	-	3,327,216
Total	$ 7,210,987	$ 1,537,893	$ 427,761	$ 5,245,333

Note 7 - Pension Plan:

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

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

RETIREMENT PLAN PROVISIONS		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.	**About Plan 2** Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.	**About the Hybrid Retirement Plan** The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members") • 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.

Note 7 - Pension Plan: (continued)

Plan Description (continued)

<table>
<tr><th colspan="3">RETIREMENT PLAN PROVISIONS (CONTINUED)</th></tr>
<tr><th>PLAN 1</th><th>PLAN 2</th><th>HYBRID RETIREMENT PLAN</th></tr>
<tr><td>About Plan 1 (Cont.)</td><td>About Plan 2 (Cont.)</td><td>About the Hybrid Retirement Plan (Cont.)
• 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.</td></tr>
<tr><td>Eligible Members
Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.

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 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.</td><td>Eligible Members
Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

Hybrid Opt-In Election
Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible 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.</td><td>Eligible Members
Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:
• Political subdivision employees*
• Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.

*Non-Eligible Members
Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:
• Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.</td></tr>
</table>

Note 7 - Pension Plan: (continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.	**Hybrid Opt-In Election (Cont.)** Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.	***Non-Eligible Members (Cont.)** Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.
Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	**Retirement Contributions** Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.	**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 7 - Pension Plan: (continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
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.	**Creditable Service** Same as Plan 1.	**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 Contributions Component:** Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

Note 7 - Pension Plan: (continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
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.	**Vesting** Same as Plan 1.	**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. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component. **Defined Contributions 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.

Note 7 - Pension Plan: (continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Vesting (Cont.)	**Vesting (Cont.)**	**Vesting (Cont.)** **Defined Contributions Component: (Cont.)** Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. • 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.
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.	**Calculating the Benefit** See definition under Plan 1.	**Calculating the Benefit** **Defined Benefit Component:** See definition under Plan 1.

Note 7 - Pension Plan: (continued)

Plan Description (continued)

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

Note 7 - Pension Plan: (continued)

Plan Description (continued)

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

Note 7 - Pension Plan: (continued)

Plan Description (continued)

<table>
<tr><th colspan="3">RETIREMENT PLAN PROVISIONS (CONTINUED)</th></tr>
<tr><th>PLAN 1</th><th>PLAN 2</th><th>HYBRID RETIREMENT PLAN</th></tr>
<tr>
<td>Earliest Reduced Retirement Eligibility (Cont.)

Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.</td>
<td>Earliest Reduced Retirement Eligibility (Cont.)

Political subdivisions hazardous duty employees: Same as Plan 1.</td>
<td>Earliest Reduced Retirement Eligibility (Cont.)

Political subdivisions hazardous duty employees: Not applicable.

<u>Defined Contribution Component:</u>
Members are eligible to receive distributions upon leaving employment, subject to restrictions.</td>
</tr>
<tr>
<td>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%.

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

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.</td>
<td>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%.

<u>Eligibility:</u>
Same as Plan 1.</td>
<td>Cost-of-Living Adjustment (COLA) in Retirement
<u>Defined Benefit Component:</u>
Same as Plan 2.

<u>Defined Contribution Component:</u>
Not applicable.

<u>Eligibility:</u>
Same as Plan 1 and Plan 2.</td>
</tr>
</table>

Note 7 - Pension Plan: (continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Cost-of-Living Adjustment (COLA) in Retirement (Cont.) **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.	**Cost-of-Living Adjustment (COLA) in Retirement (Cont.)** **Exceptions to COLA Effective Dates:** Same as Plan 1.	**Cost-of-Living Adjustment (COLA) in Retirement (Cont.)** **Exceptions to COLA Effective Dates:** Same as Plan 1 and Plan 2.

Note 7 - Pension Plan: (continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.	**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. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	**Disability Coverage** Employees of political subdivisions (including Plan 1 and Plan2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. 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.	**Purchase of Prior Service** Same as Plan 1.	**Purchase of Prior Service** **Defined Benefit Component:** Same as Plan 1, with the following exceptions: • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. **Defined Contribution Component:** Not applicable.

The System issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the most recent report may be obtained from the VRS website at http://www.varetire.org/Pdf/Publications/2015-annual-report-pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Note 7 - Pension Plan: (continued)

Employees Covered by Benefit Terms

As of the June 30, 2014 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	School Board Nonprofessional
Inactive members or their beneficiaries currently receiving benefits	70
Inactive members:	
Vested inactive members	9
Non-vested inactive members	42
Inactive members active elsewhere in VRS	9
Total inactive members	60
Active members	44
Total covered employees	174

Contributions

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

The School Board's contractually required contribution rate for nonprofessional employees the year ended June 30, 2016 was 9.06% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School Board's nonprofessional employees were $65,529 and $68,288 for the years ended June 30, 2016 and June 30, 2015, respectively.

Net Pension Liability

The School Board's (nonprofessional) net pension liabilities (assets) were measured as of June 30, 2015. The total pension liabilities used to calculate the net pension liabilities (assets) were determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

Note 7 - Pension Plan: (continued)

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the School Board's (nonprofessional) Retirement Plan was based on an actuarial valuation as of June 30, 2014, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

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

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

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

Largest 10 – Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Note 7 - Pension Plan: (continued)

Actuarial Assumptions – General Employees (Continued)

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-LEOS:
- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – Non-LEOS:
- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

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Note 7 - Pension Plan: (continued)

Long-Term Expected Rate of Return

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

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

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

Note 7 - Pension Plan: (continued)

Discount Rate

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

Changes in Net Pension Liability (Asset)

	School Board (nonprofessional) Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2014	$ 5,239,750	$ 5,431,953	$ (192,203)
Changes for the year:			
Service cost	$ 69,864	$ -	$ 69,864
Interest	355,274	-	355,274
Differences between expected and actual experience	68,750	-	68,750
Contributions - employer	-	81,768	(81,768)
Contributions - employee	-	50,945	(50,945)
Net investment income	-	244,410	(244,410)
Benefit payments, including refunds of employee contributions	(328,801)	(328,801)	-
Administrative expenses	-	(3,491)	3,491
Other changes	-	(49)	49
Net changes	$ 165,087	$ 44,782	$ 120,305
Balances at June 30, 2015	$ 5,404,837	$ 5,476,735	$ (71,898)

Note 7 - Pension Plan: (continued)

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

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
School Board (nonprofessional)			
Net Pension Liability (Asset)	$ 479,341	$ (71,898)	$ (542,456)

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

For the year ended June 30, 2016, the School Board (nonprofessional) recognized pension expense of ($6,653). At June 30, 2016, the School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 21,336	$ -
Net difference between projected and actual earnings on pension plan investments	-	149,881
Employer contributions subsequent to the measurement date	65,529	-
Total	$ 86,865	$ 149,881

$65,529 reported as deferred outflows of resources related to pensions resulting from the School Board's (nonprofessional) contributions, respectively, subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30	School Board (nonprofessional)
2017	$ (37,214)
2018	(58,550)
2019	(58,549)
2020	25,768
Thereafter	-

Note 7 - Pension Plan: (continued)

Component Unit School Board (professional)

Plan Description

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

Contributions

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

Each School Division's contractually required contribution rate for the year ended June 30, 2016 was 14.06% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013 adjusted for the transfer in June 2015 of $320,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarial rate for the Teacher Retirement Plan was 18.20%, however, it was reduced to 17.64% as a result of the transfer. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the Code of Virginia, as amended the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2016. Contributions to the pension plan from the School Board were $1,704,739 and $1,724,865 for the years ended June 30, 2016 and June 30, 2015, respectively.

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

At June 30, 2016, the school division reported a liability of $20,913,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2015 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2015 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2015, the school division's proportion was .17% as compared to .17% at June 30, 2014.

Note 7 - Pension Plan: (continued)

Component Unit School Board (professional) (continued)

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

For the year ended June 30, 2016, the school division recognized pension expense of $1,482,000. Since there was a change in proportionate share between June 30, 2014 and June 30, 2015, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2016, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	School Board (professional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 288,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	498,000	559,000
Net difference between projected and actual earnings on pension plan investments	-	1,281,000
Employer contributions subsequent to the measurement date	1,704,739	-
Total	$ 2,202,739	$ 2,128,000

$1,704,739 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30	School Board (professional)
2017	$ (617,000)
2018	(617,000)
2019	(617,000)
2020	201,000
2021	20,000

Note 7 - Pension Plan: (continued)

Component Unit School Board (professional) (continued)

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2014, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

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

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

Mortality rates:

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

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

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

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Note 7 - Pension Plan: (continued)

Component Unit School Board (professional) (continued)

Long-Term Expected Rate of Return

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

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

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

Note 7 - Pension Plan: (continued)

Component Unit School Board (professional) (continued)

Discount Rate

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

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

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

	Rate		
	(6.00%)	**(7.00%)**	**(8.00%)**
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset)	$ 30,605,000	$ 20,913,000	$ 12,935,000

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2014 Comprehensive Annual Financial Report (CAFR). A copy of the 2015 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2015-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 8 - Surety Bond Information:

Officials below were under bond in the amounts indicated:

Hartford Accident and Indemnity Company - Surety:		
Dr. Angela B. Wilson, Superintendent	$	10,000
Paige Crewe, Clerk of School Board		10,000
Alicia Hargrove, Deputy Clerk of the School Board		10,000
Amber P. Barbour, Bookkeeper		10,000
LaTina Smith, Payroll Clerk		10,000

Note 9 - Commitments and Contingencies:

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

Note 10 - Risk Management:

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

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

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

Note 11 - Litigation:

At June 30, 2016, there were no matters of litigation involving the School Board or which would materially affect the School Board's financial position should any court decisions on pending matters not be favorable to such entities.

Note 12 - City/County School Cost Agreement:

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

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

County of Greensville	$	275,000
City of Emporia		225,000
Total long-term advance	$	500,000

Note 13 - Other Postemployment Benefits – Health Insurance:

A. Plan Description

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

B. Funding Policy

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

C. Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	$	67,400
Interest on net OPEB obligation		8,600
Adjustment to annual required contribution		(8,900)
Annual OPEB cost (expense)	$	67,100
Estimated contributions made		(48,700)
Increase in net OPEB obligation	$	18,400
Net OPEB obligation - beginning of year		215,100
Net OPEB obligation - end of year	$	233,500

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

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

For FY 2016, the School Board's cash payment of $48,700 was $18,400 less than the OPEB cost. The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and the two preceding years are as follows:

Fiscal Year Ended		Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed		Net OPEB Obligation
June 30, 2014	$	79,200	66.16%	$	185,800
June 30, 2015		65,200	55.06%		215,100
June 30, 2016		67,100	72.58%		233,500

D. Funded Status and Funding Progress

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

Actuarial accrued liability (AAL)	$	806,800
Actuarial value of plan assets		-
Unfunded actuarial accrued liability (UAAL)		806,800
Funded ratio (actuarial value of plan assets/AAL)		-
Covered payroll (annual payroll of active employees covered by the plan)		10,897,571
UAAL as a percentage of covered payroll		7.40%

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

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

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

E. Actuarial Methods and Assumptions

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

F. Cost Method

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

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

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

G. Interest Assumptions

	Unfunded
Investment rate of return	4.00%
Health cost trend assumption	8.00%
Payroll growth	2.50%

Note 14 - Upcoming Pronouncements:

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

Note 14 - Upcoming Pronouncements: (continued)

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

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

Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged.

Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*, improves financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Earlier application is encouraged.

Statement No. 81, *Irrevocable Split-Interest Agreements*, improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Earlier application is encouraged.

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

REQUIRED SUPPLEMENTARY INFORMATION

Note to Required Supplementary Information:

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

General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2016

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Revenue from the use of money and property	$ 1,000	$ 1,000	$ 104	$ (896)
Charges for services	4,156,512	4,156,512	3,777,135	(379,377)
Miscellaneous	327,856	327,856	332,478	4,622
Intergovernmental:				
County contribution to school board	2,190,623	2,273,123	1,918,117	(355,006)
Commonwealth	16,792,783	16,792,783	17,083,960	291,177
Federal	3,057,604	3,057,604	2,189,744	(867,860)
Total revenues	$ 26,526,378	$ 26,608,878	$ 25,301,538	$ (1,307,340)
EXPENDITURES				
Current:				
Education:				
Instruction	$ 21,240,324	$ 21,022,824	$ 20,018,377	$ 1,004,447
Administration, attendance and health	1,194,051	1,194,051	1,163,711	30,340
Pupil transportation services	1,678,104	1,678,104	1,595,989	82,115
Operation and maintenance services	2,413,899	2,713,899	2,523,461	190,438
Total expenditures	$ 26,526,378	$ 26,608,878	$ 25,301,538	$ 1,307,340
Excess (deficiency) of revenues over (under) expenditures	$ -	$ -	$ -	$ -
Net change in fund balances	$ -	$ -	$ -	$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	$ -	$ -	$ -	$ -

School Cafeteria Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2016

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Charges for services	$ 382,000	$ 382,000	$ 269,703	$ (112,297)
Miscellaneous	-	-	776	776
Intergovernmental:				
Commonwealth	19,477	19,477	29,893	10,416
Federal	1,063,567	1,063,567	1,102,898	39,331
Total revenues	$ 1,465,044	$ 1,465,044	$ 1,403,270	$ (61,774)
EXPENDITURES				
Current:				
School food service	$ 1,465,044	$ 1,465,044	$ 1,448,464	$ 16,580
Total expenditures	$ 1,465,044	$ 1,465,044	$ 1,448,464	$ 16,580
Excess (deficiency) of revenues over (under) expenditures	$ -	$ -	$ (45,194)	$ (45,194)
Net change in fund balances	$ -	$ -	$ (45,194)	$ (45,194)
Fund balances - beginning	-	-	717,916	717,916
Fund balances - ending	$ -	$ -	$ 672,722	$ 672,722

Schedule of Components of and Changes in Net Pension Liability and Related Ratios
Component Unit School Board (nonprofessional)
For the Year Ended June 30, 2016

		2015		2014
Total pension liability				
Service cost	$	69,864	$	85,217
Interest		355,274		347,301
Differences between expected and actual experience		68,750		-
Benefit payments, including refunds of employee contributions		(328,801)		(308,428)
Net change in total pension liability	$	165,087	$	124,090
Total pension liability - beginning		5,239,750		5,115,660
Total pension liability - ending (a)	$	5,404,837	$	5,239,750
Plan fiduciary net position				
Contributions - employer	$	81,768	$	66,849
Contributions - employee		50,945		36,349
Net investment income		244,410		756,219
Benefit payments, including refunds of employee contributions		(328,801)		(308,428)
Administrative expense		(3,491)		(4,210)
Other		(49)		40
Net change in plan fiduciary net position	$	44,782	$	546,819
Plan fiduciary net position - beginning		5,431,953		4,885,134
Plan fiduciary net position - ending (b)	$	5,476,735	$	5,431,953
School Division's net pension liability (asset) - ending (a) - (b)	$	(71,898)	$	(192,203)
Plan fiduciary net position as a percentage of the total pension liability		101.33%		103.67%
Covered payroll	$	839,952	$	732,230
School Division's net pension liability as a percentage of covered payroll		-8.56%		-26.25%

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

Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan
For the Year Ended June 30, 2016*

	2015	2014
Employer's Proportion of the Net Pension Liability (Asset)	0.17%	0.17%
Employer's Proportionate Share of the Net Pension Liability (Asset)	$ 20,913,000	$ 19,550,000
Employer's Covered Payroll	12,396,864	11,830,375
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	168.70%	165.25%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.68%	70.88%

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

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

Schedule of Employer Contributions
For the Year Ended June 30, 2016

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Component Unit School Board (nonprofessional)					
2016	$ 65,529	$ 65,529	$ -	$ 806,013	8.13%
2015	68,288	68,288	-	839,952	8.13%
2014	72,125	72,125	-	732,230	9.85%
2013	79,877	79,877	-	810,929	9.85%
2012	56,100	56,100	-	842,335	6.66%
2011	71,094	71,094	-	1,067,483	6.66%
2010	82,895	82,895	-	1,191,014	6.96%
2009	80,569	80,569	-	1,157,600	6.96%
2008	96,937	96,937	-	1,105,330	8.77%
2007	97,143	97,143	-	1,107,674	8.77%
Component Unit School Board (professional)					
2016	$ 1,704,739	$ 1,704,739	$ -	$ 12,195,239	13.98%
2015	1,724,865	1,724,865	-	12,396,864	13.91%
2014	1,380,711	1,380,711	-	11,830,375	11.67%
2013	1,401,165	1,401,165	-	12,016,851	11.66%
2012	743,515	743,515	-	11,745,892	6.33%
2011	472,364	472,364	-	12,019,433	3.93%
2010	840,589	840,589	-	12,722,130	6.61%
2009	1,128,094	1,128,094	-	12,804,699	8.81%
2008	1,286,710	1,286,710	-	12,492,334	10.30%
2007	1,106,757	1,106,757	-	12,029,966	9.20%

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

In 2015, Covered Employee Payroll (as defined by GASB 68) included the total payroll for employees covered under the pension plan whether that payroll is subject to pension coverage or not. This definition was modified in GASB Statement No. 82 and now is the payroll on which contributions to a pension plan are based. The ratios presented use the same measure.

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2015 are not material.

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

Largest 10 – Non-LEOS:
- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 – LEOS:
- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – Non-LEOS:
- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – LEOS:
- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

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

Schedule of OPEB Funding Progress
For the Year Ended June 30, 2016

Other Postemployment Benefits

Actuarial Valuation Date		Actuarial Value of Assets (AVA) (a)		Actuarial Accrued Liability (AAL) (b)		Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)		Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
07/01/14	$	-	$	806,800	$	806,800	0.00%	$	13,527,433	5.96%
07/01/12		-		837,430		837,430	0.00%		13,251,606	6.32%
07/01/10		-		1,075,800		1,075,800	0.00%		11,020,927	9.76%

OTHER SUPPLEMENTARY INFORMATION

- Supporting Schedules -

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	$ -	$ -	$ 104	$ 104
Revenue from use of property	1,000	1,000	-	(1,000)
Total revenue from use of money and property	$ 1,000	$ 1,000	$ 104	$ (896)
Charges for services:				
Tuition - City of Emporia (Note 6)	$ 3,582,996	$ 3,582,996	$ 3,327,216	$ (255,780)
Charges to other localities	573,516	573,516	449,919	(123,597)
Total charges for services	$ 4,156,512	$ 4,156,512	$ 3,777,135	$ (379,377)
Miscellaneous:				
Miscellaneous	$ 327,856	$ 327,856	$ 332,478	$ 4,622
Total miscellaneous	$ 327,856	$ 327,856	$ 332,478	$ 4,622
Total revenue from local sources	$ 4,485,368	$ 4,485,368	$ 4,109,717	$ (375,651)
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Greensville, Virginia (Note 6)	$ 2,190,623	$ 2,273,123	$ 1,918,117	$ (355,006)
Total revenues from local governments	$ 2,190,623	$ 2,273,123	$ 1,918,117	$ (355,006)
Revenue from the Commonwealth:				
Other categorical aid:				
Share of state sales tax	$ 2,545,762	$ 2,545,762	$ 2,567,415	$ 21,653
Basic school aid	8,415,289	8,415,289	8,522,456	107,167
Remedial education	477,362	477,362	481,860	4,498
Gifted and talented	86,200	86,200	87,024	824
Special education	903,098	903,098	911,562	8,464
Textbook payment	176,473	176,473	178,158	1,685
Remedial summer school	170,494	170,494	174,981	4,487
Vocational education	181,299	181,299	182,990	1,691
Vocational education - equipment	-	-	6,537	6,537
Group life fringe benefits	31,179	31,179	31,477	298
Social security fringe benefits	499,370	499,370	504,079	4,709
Retirement fringe benefits	985,902	985,902	995,198	9,296
Early reading intervention	41,127	41,127	41,127	-
Homebound	97,274	97,274	76,051	(21,223)
Special education - jails	10,651	10,651	2,307	(8,344)

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016 (continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Intergovernmental: (continued)				
Revenue from the Commonwealth: (Continued)				
Other categorical aid: (continued)				
Special education - foster care	$ 19,038	$ 19,038	$ 12,304	$ (6,734)
Regional Governor's school	-	-	19,801	19,801
At risk payments	608,803	608,803	614,556	5,753
At risk payments - 4 year olds	329,314	329,314	329,314	-
Primary class size	710,777	710,777	714,315	3,538
Vocational occupational/technical education	30,130	30,130	27,550	(2,580)
Technology Initiative	154,000	154,000	154,000	-
Standards of Learning algebra readiness	54,632	54,632	52,009	(2,623)
Compensation supplement	142,439	142,439	143,816	1,377
Mentor teacher program	-	-	2,101	2,101
Other state funds	122,170	122,170	250,972	128,802
Total other categorical aid	$ 16,792,783	$ 16,792,783	$ 17,083,960	$ 291,177
Total revenue from the Commonwealth	$ 16,792,783	$ 16,792,783	$ 17,083,960	$ 291,177
Revenue from the federal government:				
Categorical aid:				
Title I	$ 958,623	$ 958,623	$ 935,447	$ (23,176)
Title VI-B, special education flow-through	886,334	886,334	597,312	(289,022)
Vocational education	35,000	35,000	39,742	4,742
Title VI-B, special education pre-school	14,052	14,052	10,779	(3,273)
Title II-A Teacher Quality	218,132	218,132	94,708	(123,424)
Title VI	3,516	3,516	54,191	50,675
21st century learning	407,186	407,186	393,076	(14,110)
Immigrant and youth state grant	-	-	1,870	1,870
Other federal funds	534,761	534,761	62,619	(472,142)
Total categorical aid	$ 3,057,604	$ 3,057,604	$ 2,189,744	$ (867,860)
Total revenue from the federal government	$ 3,057,604	$ 3,057,604	$ 2,189,744	$ (867,860)
Total General Fund	$ 26,526,378	$ 26,608,878	$ 25,301,538	$ (1,307,340)

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016 (continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
School Cafeteria Fund:				
Revenue from local sources:				
Charges for services:				
Cafeteria sales	$ 382,000	$ 382,000	$ 269,703	$ (112,297)
Total charges for services	$ 382,000	$ 382,000	$ 269,703	$ (112,297)
Miscellaneous:				
Other miscellaneous	$ -	$ -	$ 776	$ 776
Total revenue from local sources	$ 382,000	$ 382,000	$ 270,479	$ (111,521)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food	$ 19,477	$ 19,477	$ 29,893	$ 10,416
Total categorical aid	$ 19,477	$ 19,477	$ 29,893	$ 10,416
Total revenue from the Commonwealth	$ 19,477	$ 19,477	$ 29,893	$ 10,416
Revenue from the federal government:				
Categorical aid:				
School food	$ 1,063,567	$ 1,063,567	$ 1,102,898	$ 39,331
Total categorical aid	$ 1,063,567	$ 1,063,567	$ 1,102,898	$ 39,331
Total revenue from the federal government	$ 1,063,567	$ 1,063,567	$ 1,102,898	$ 39,331
Total School Cafeteria Fund	$ 1,465,044	$ 1,465,044	$ 1,403,270	$ (61,774)
Total governmental funds	$ 27,991,422	$ 28,073,922	$ 26,704,808	$ (1,369,114)

GREENSVILLE COUNTY SCHOOL BOARD **Schedule 2**

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

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
Education:				
Instruction	$ 21,240,324	$ 21,022,824	$ 20,018,377	$ 1,004,447
Administration, attendance and health	1,194,051	1,194,051	1,163,711	30,340
Pupil transportation services	1,678,104	1,678,104	1,595,989	82,115
Operation and maintenance	2,413,899	2,713,899	2,523,461	190,438
Total education	$ 26,526,378	$ 26,608,878	$ 25,301,538	$ 1,307,340
Total General Fund	$ 26,526,378	$ 26,608,878	$ 25,301,538	$ 1,307,340
School Cafeteria Fund:				
School Food Service:				
School food administration	$ 1,465,044	$ 1,465,044	$ 1,448,464	$ 16,580
Total School Cafeteria Fund	$ 1,465,044	$ 1,465,044	$ 1,448,464	$ 16,580
Total governmental funds	$ 27,991,422	$ 28,073,922	$ 26,750,002	$ 1,323,920

COMPLIANCE

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

TO GREENSVILLE COUNTY SCHOOL BOARD
EMPORIA, VIRGINIA

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities and each major fund of Greensville County School Board as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Greensville County School Board's basic financial statements and have issued our report thereon dated January 24, 2017.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Robinson, Farmer, Cox Associates
Charlottesville, Virginia
January 24, 2017