

COUNTY OF GILES, VIRGINIA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

COUNTY OF GILES, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2016

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COUNTY OF GILES, VIRGINIA

BOARD OF SUPERVISORS

Larry Williams, Vice Chairman	Richard McCoy, Chair	Jeffery Morris
Gary Eaton		Paul Baker

COUNTY SCHOOL BOARD

Stephen M. Steele, Vice Chairman	Drema K. McMahon, Chair	Marion C. Ballard
Mark A. Wilburn		Eric G. Gentry
	Amanda Tickle, Clerk	

SOCIAL SERVICES BOARD

Nancy Rader, Vice Chairman	Claude Wimmer, Chair	Gina Franklin
Jeffery Morris		Gregory Lee
Lester Tickle		Donna Collins, Clerk

OTHER OFFICIALS

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

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Giles, Virginia, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Giles, Virginia, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 21 to the financial statements, in 2016, the County adopted new accounting guidance, 79 Certain External Investment Pools and Pool Participants and GASB Statement No. 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 budgetary comparison information and schedules related to pension and OPEB funding on pages 73 and 74-80 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Giles, Virginia's basic financial statements. The introductory section, other supplementary information, and other statistical information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

Other Information (continued)

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2016, on our consideration of the County of Giles, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of Giles, Virginia's internal control over financial reporting and compliance.

Robinson, Turner, & Associates

Blacksburg, Virginia
November 29, 2016

County of Giles, Virginia
Statement of Net Position
June 30, 2016

	Primary Government			Component Unit	Component Unit
	Governmental Activities	Business-type Activities	Total	School Board	IDA
ASSETS					
Cash and cash equivalents	\$ 1,616,323	\$ 100	\$ 1,616,423	\$ 3,672,261	\$ -
Cash in custody of others	-	-	-	362,020	-
Receivables (net of allowance for uncollectibles):					
Taxes receivable	3,757,591	-	3,757,591	-	-
Accounts receivable	128,762	82,406	211,168	-	-
Internal balances	-	-	-	-	-
Due from other governmental units	1,010,622	-	1,010,622	968,655	-
Inventories (Commodities)	-	-	-	41,733	-
Prepaid items	-	-	-	159,598	-
Restricted assets:					
Cash and cash equivalents (in custody of others)	3,523,021	9,028	3,532,049	-	-
Investments	249,273	203,520	452,793	-	-
Notes receivable	-	-	-	-	650,851
Inventories (Land and buildings held for resale)	-	-	-	-	1,705,481
Capital assets (net of accumulated depreciation):					
Land	530,530	13,000	543,530	473,652	607,801
Buildings and improvements	17,840,400	-	17,840,400	2,749,112	7,753,953
Machinery and equipment	872,566	213,843	1,086,409	1,352,991	-
Infrastructure	-	9,509,585	9,509,585	-	-
Construction in progress	1,298,805	2,712,328	4,011,133	78,422	-
Total assets	\$ 30,827,893	\$ 12,743,810	\$ 43,571,703	\$ 9,858,444	\$ 10,718,086
DEFERRED OUTFLOWS OF RESOURCES					
Pension contributions subsequent to measurement date	\$ 611,644	\$ 46,499	\$ 658,143	\$ 1,708,766	\$ 10,905
Difference between expected and actual experience	482,352	38,569	520,921	46,700	6,976
Changes in the proportionate share of net pension liability	-	-	-	426,000	-
Total deferred outflows of resources	\$ 1,093,996	\$ 85,068	\$ 1,179,064	\$ 2,181,466	\$ 17,881
LIABILITIES					
Accounts payable	\$ 241,028	\$ 31,304	\$ 272,332	\$ 6,566	\$ 300
Retainage payable	-	20,728	20,728	-	-
Accrued payroll	-	-	-	2,166,389	-
Customers' deposits	-	27,000	27,000	-	-
Accrued interest payable	185,645	69,194	254,839	-	91,817
Long-term liabilities:					
Due within one year	2,132,201	128,586	2,260,787	257,575	316,380
Due in more than one year	25,393,346	8,168,078	33,561,424	21,477,620	5,783,473
Total liabilities	\$ 27,952,220	\$ 8,444,890	\$ 36,397,110	\$ 23,908,150	\$ 6,191,970
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	\$ 3,307,313	\$ -	\$ 3,307,313	\$ -	\$ -
Items related to measurement of net pension liability	467,627	37,392	505,019	1,653,357	6,763
Deferred amount on refunding	-	48,086	48,086	-	3,750
Total deferred inflows of resources	\$ 3,774,940	\$ 85,478	\$ 3,860,418	\$ 1,653,357	\$ 10,513
NET POSITION					
Net investment in capital assets	\$ 675,314	\$ 4,643,901	\$ 5,319,215	\$ 4,654,177	\$ 2,304,088
Restricted:					
School cafeteria	-	-	-	-	-
Unrestricted	(480,585)	(345,391)	(825,976)	(18,175,774)	2,229,396
Total Net Position	\$ 194,729	\$ 4,298,510	\$ 4,493,239	\$ (13,521,597)	\$ 4,533,484

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

County of Giles, Virginia
Statement of Activities
For the Year Ended June 30, 2016

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Units	
					Governmental Activities	Business-type Activities	School Board	IDA
PRIMARY GOVERNMENT:								
Governmental activities:								
General government administration	\$ 1,441,831	\$ 75,222	\$ 254,996	\$ -	\$ (1,111,613)	\$ (1,111,613)		
Judicial administration	797,006	5,740	537,446	-	(253,820)	(253,820)		
Public safety	4,007,034	156,837	1,118,015	-	(2,732,182)	(2,732,182)		
Public works	1,319,630	31,415	9,683	-	(1,278,532)	(1,278,532)		
Health and welfare	4,795,609	-	3,595,636	-	(1,199,973)	(1,199,973)		
Education	8,788,324	-	-	-	(8,788,324)	(8,788,324)		
Parks, recreation, and cultural	528,821	387,155	43,554	162,150	64,038	64,038		
Community development	1,816,107	8,654	-	-	(1,807,453)	(1,807,453)		
Interest on long-term debt	927,185	-	-	-	(927,185)	(927,185)		
Total governmental activities	\$ 24,421,547	\$ 665,023	\$ 5,559,330	\$ 162,150	\$ (18,035,044)	\$ (18,035,044)		
Business-type activities:								
Water department	\$ 1,649,943	\$ 617,037	\$ -	\$ -	\$ (1,032,906)	\$ (1,032,906)		
Total primary government	\$ 26,071,490	\$ 1,282,060	\$ 5,559,330	\$ 162,150	\$ (18,035,044)	\$ (1,032,906)	\$ (19,067,950)	\$ -
COMPONENT UNITS:								
School Board	\$ 26,128,482	\$ 455,079	\$ 18,119,171	\$ -		\$ (7,554,232)		(1,044,398)
Industrial Development Authority (IDA)	1,435,893	391,495	-	-				
Total component units	\$ 27,564,375	\$ 846,574	\$ 18,119,171	\$ -	\$ -	\$ -	\$ (7,554,232)	\$ (1,044,398)
General revenues:								
General property taxes					\$ 13,738,261	\$ -	\$ 13,738,261	\$ -
Other local taxes:								
Local Sales and use taxes					1,411,553	-	1,411,553	-
Consumers' utility taxes					240,907	-	240,907	-
Consumption taxes					53,173	-	53,173	-
Gross receipts tax					9,642	-	9,642	-
Motor vehicle licenses					209,902	-	209,902	-
Local tax on deeds					65,739	-	65,739	-
Hotel and motel room taxes					113,540	-	113,540	-
Unrestricted revenues from use of money and property					131,505	1,407	132,912	344
Miscellaneous					160,325	-	160,325	19,112
Contribution from County of Giles, Virginia					-	-	-	26,552
Grants and contributions not restricted to specific programs					-	-	8,367,813	899,990
Gain on disposal of inventory					1,746,646	-	1,746,646	-
Transfers					-	-	-	26,167
Total general revenues and transfers					(2,022,570)	2,022,570	-	-
Change in net position					\$ 15,858,623	\$ 2,023,977	\$ 17,882,600	\$ 8,387,269
Net position - beginning					\$ (2,176,421)	\$ 991,071	\$ (1,185,350)	\$ 833,037
Net position - ending					\$ 2,371,150	\$ 3,307,439	\$ 5,678,589	\$ (14,354,634)
Net position - ending					\$ 194,729	\$ 4,298,510	\$ 4,493,239	\$ (13,521,597)
Net position - ending								\$ 4,533,484

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

County of Giles, Virginia
Balance Sheet
Governmental Funds
June 30, 2016

	<u>General</u>	<u>County Capital Improvements</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 888,393	\$ 727,930	\$ 1,616,323
Receivables (net of allowance for uncollectibles):			
Taxes receivable	3,757,591	-	3,757,591
Accounts receivable	128,762	-	128,762
Due from other funds	-	-	-
Due from other governmental units	1,009,986	636	1,010,622
Restricted assets:			
Cash and cash equivalents	-	3,523,021	3,523,021
Investments	-	249,273	249,273
Total assets	<u>\$ 5,784,732</u>	<u>\$ 4,500,860</u>	<u>\$ 10,285,592</u>
LIABILITIES			
Accounts payable	\$ 241,028	\$ -	\$ 241,028
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	\$ 3,923,801	\$ -	\$ 3,923,801
FUND BALANCES			
Restricted			
Capital projects fund	\$ -	\$ 3,772,930	\$ 3,772,930
Committed			
Debt service	-	727,930	727,930
Unassigned	1,619,903	-	1,619,903
Total fund balances	<u>\$ 1,619,903</u>	<u>\$ 4,500,860</u>	<u>\$ 6,120,763</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,784,732</u>	<u>\$ 4,500,860</u>	<u>\$ 10,285,592</u>

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

County of Giles, Virginia
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
June 30, 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		\$ 6,120,763
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land	\$ 530,530		
Construction in progress	1,298,805		
Buildings and improvements	17,840,400		
Machinery and equipment	<u>872,566</u>		20,542,301

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

Unavailable revenue - property taxes	616,488		
Deferred inflows related to measurement of the net pension liability	<u>(467,627)</u>		148,861

Pension contributions subsequent to the measurement date will be a reduction in the net pension liability in the next fiscal year and, therefore, are not reported in the funds.		611,644
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Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

General obligation bonds	\$ (3,522,126)		
Lease revenue bonds	(17,953,156)		
Unamortized bond premium	(1,916,118)		
Capital lease	(247,881)		
Landfill accrued closure/postclosure costs	(90,679)		
Net OPEB obligation	(185,003)		
Compensated absences	(693,406)		
Accrued interest payable	(185,645)		
Net pension liability	(2,917,178)		
Deferred outflows related to measurement of the net pension liability	<u>482,352</u>		(27,228,840)

Net position of governmental activities		<u>\$ 194,729</u>
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The accompanying notes to the financial statements are an integral part of this statement.

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

	General	County Capital Improvements	Total
REVENUES			
General property taxes	\$ 13,716,313	\$ -	\$ 13,716,313
Other local taxes	2,104,456	-	2,104,456
Permits, privilege fees, and regulatory licenses	44,814	-	44,814
Fines and forfeitures	33,190	-	33,190
Revenue from the use of money and property	122,015	9,490	131,505
Charges for services	587,019	-	587,019
Miscellaneous	160,325	-	160,325
Recovered costs	1,965,637	1,636	1,967,273
Intergovernmental:			
Commonwealth	5,794,883	-	5,794,883
Federal	1,673,243	-	1,673,243
Total revenues	<u>\$ 26,201,895</u>	<u>\$ 11,126</u>	<u>\$ 26,213,021</u>
EXPENDITURES			
Current:			
General government administration	\$ 1,962,673	\$ 35,163	\$ 1,997,836
Judicial administration	784,958	-	784,958
Public safety	4,623,190	-	4,623,190
Public works	809,577	543,920	1,353,497
Health and welfare	4,901,844	-	4,901,844
Education	7,853,914	-	7,853,914
Parks, recreation, and cultural	693,810	-	693,810
Community development	1,323,577	411,190	1,734,767
Nondepartmental	563,217	-	563,217
Debt service:			
Principal retirement	1,050,915	862,484	1,913,399
Interest and other fiscal charges	243,124	762,309	1,005,433
Total expenditures	<u>\$ 24,810,799</u>	<u>\$ 2,615,066</u>	<u>\$ 27,425,865</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 1,391,096</u>	<u>\$ (2,603,940)</u>	<u>\$ (1,212,844)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ -	\$ 2,302,137	\$ 2,302,137
Transfers out	(4,324,707)	-	(4,324,707)
Issuance of lease revenue bond	-	3,968,519	3,968,519
Issuance of capital leases	-	203,141	203,141
Payment to bond escrow agent	-	(4,410,342)	(4,410,342)
Other	-	557,212	557,212
Total other financing sources (uses)	<u>\$ (4,324,707)</u>	<u>\$ 2,620,667</u>	<u>\$ (1,704,040)</u>
Net change in fund balances	\$ (2,933,611)	\$ 16,727	\$ (2,916,884)
Fund balances - beginning	<u>4,553,514</u>	<u>4,484,133</u>	<u>9,037,647</u>
Fund balances - ending	<u>\$ 1,619,903</u>	<u>\$ 4,500,860</u>	<u>\$ 6,120,763</u>

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

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

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

Net change in fund balances - total governmental funds \$ (2,916,884)

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

Capital asset additions	\$ 1,173,553	
Depreciation expense	(2,179,387)	(1,005,834)

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

(Increase) decrease in unavailable revenue-property taxes	\$ 21,948	
Change in deferred inflows related to the measurement of the net pension liability	600,435	622,383

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

Issuance of lease revenue bond	\$ (3,968,519)	
Issuance Premium (to be amortized against interest expense)	(557,212)	
Capital lease proceeds	(203,141)	
Payments of principal:		
General obligation bonds	957,771	
Payment to escrow agent on refunding	4,388,113	
Lease revenue bonds	862,484	
Capital lease	93,144	
(Increase) decrease in landfill closure and postclosure monitoring costs	44,127	1,616,767

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

(Increase) decrease in compensated absences	\$ (144,817)	
(Increase) decrease in net OPEB obligation	(11,700)	
(Increase) decrease in accrued interest payable	(13,749)	
Amortization of bond premium	114,226	
Change in net pension liability	(1,013,103)	
Change in deferred outflows related to measurement of the net pension liability	93,938	
Change in deferred outflows related to pension payments subsequent to the measurement date	482,352	(492,853)

Change in net position of governmental activities	<u>\$ (2,176,421)</u>
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The accompanying notes to the financial statements are an integral part of this statement.

County of Giles, Virginia
Statement of Net Position
Proprietary Funds
June 30, 2016

	Enterprise Fund Water Department	Component Unit Industrial Development Authority
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 100	\$ -
Accounts receivable (net of allowance for uncollectibles)	82,406	-
Total current assets	<u>\$ 82,506</u>	<u>\$ -</u>
Restricted current assets:		
Cash and cash equivalents	9,028	-
Investments	203,520	-
Total current assets	<u>\$ 295,054</u>	<u>\$ -</u>
Noncurrent assets:		
Lease purchase receivable, net of current portion	\$ -	\$ 650,851
Noncurrent assets:		
Inventories (land and buildings held for resale)	-	1,705,481
Capital assets:		
Land	13,000	607,801
Construction in progress	2,712,328	-
Utility plant in service	14,327,270	-
Buildings and improvements	-	9,493,633
Machinery and equipment	553,393	-
Accumulated depreciation	(5,157,235)	(1,739,680)
Total capital assets	<u>\$ 12,448,756</u>	<u>\$ 8,361,754</u>
Total noncurrent assets	<u>\$ 12,448,756</u>	<u>\$ 10,718,086</u>
Total assets	<u>\$ 12,743,810</u>	<u>\$ 10,718,086</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension contributions subsequent to the measurement date	\$ 46,499	\$ 10,905
Difference between expected and actual experience	38,569	6,976
Total deferred outflows of resources	<u>\$ 85,068</u>	<u>\$ 17,881</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 31,304	\$ 300
Retainage payable	20,728	-
Customer deposits	27,000	-
Accrued interest payable	69,194	91,817
Compensated absences - current portion	33,703	-
Bonds payable - current portion	94,883	316,380
Total current liabilities	<u>\$ 276,812</u>	<u>\$ 408,497</u>
Noncurrent liabilities:		
Net OPEB obligation	\$ 30,820	\$ -
Compensated absences - net of current portion	11,234	-
Net pension liability	233,260	42,187
Bonds payable - net of current portion	7,892,764	5,741,286
Total noncurrent liabilities	<u>\$ 8,168,078</u>	<u>\$ 5,783,473</u>
Total liabilities	<u>\$ 8,444,890</u>	<u>\$ 6,191,970</u>
DEFERRED INFLOWS OF RESOURCES		
Items related to measurement of net pension liability	\$ 37,392	\$ 6,763
Deferred amount on refunding	48,086	3,750
Total deferred inflows of resources	<u>\$ 85,478</u>	<u>\$ 10,513</u>
NET POSITION		
Net investment in capital assets	\$ 4,643,901	\$ 2,304,088
Unrestricted	(345,391)	2,229,396
Total net position	<u>\$ 4,298,510</u>	<u>\$ 4,533,484</u>

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

County of Giles, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2016

	Enterprise Fund Water Department	Component Unit Industrial Development Authority
OPERATING REVENUES		
Charges for services:		
Water revenues	\$ 493,591	\$ -
Rental of property	-	391,495
Penalties	40,462	-
Sale of land held as inventory:		
Gross sales price	-	37,000
Cost of inventory	-	(10,833)
Miscellaneous	67,527	26,552
Total operating revenues	<u>\$ 601,580</u>	<u>\$ 444,214</u>
OPERATING EXPENSES		
Salaries	\$ 330,335	\$ 101,508
Fringes	106,991	20,204
Contracted services	11,309	6,583
Repair and maintenance	44,440	-
Water purchase	255,544	-
Material and supplies	38,975	-
Insurance	8,709	33,459
Miscellaneous	53,417	3,420
Utilities	32,732	20,451
Reserve capacity payment	14,505	-
Depreciation	488,694	250,131
Economic development	-	734,692
Total operating expenses	<u>\$ 1,385,651</u>	<u>\$ 1,170,448</u>
Operating income (loss)	<u>\$ (784,071)</u>	<u>\$ (726,234)</u>
NONOPERATING REVENUES (EXPENSES)		
Interest income	\$ 1,407	\$ 15,334
Connection fees	15,457	-
Interest expense	(228,849)	(262,791)
Bond issuance costs	(35,443)	(2,654)
Total nonoperating revenues (expenses)	<u>\$ (247,428)</u>	<u>\$ (250,111)</u>
Income before contributions and transfers	<u>\$ (1,031,499)</u>	<u>\$ (976,345)</u>
Contribution from primary government	\$ -	\$ 899,990
Transfers in	2,022,570	-
Change in net position	<u>\$ 991,071</u>	<u>\$ (76,355)</u>
Net position - beginning	3,307,439	4,609,839
Net position - ending	<u>\$ 4,298,510</u>	<u>\$ 4,533,484</u>

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

County of Giles, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2016

	Enterprise Fund Water <u>Department</u>	Component Unit Industrial Development <u>Authority</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 600,620	\$ 444,214
Payments to suppliers	(446,285)	(737,454)
Payments to employees	(444,579)	(126,138)
Decrease in inventory held for resale	-	10,833
Net cash provided by (used for) operating activities	<u>\$ (290,244)</u>	<u>\$ (408,545)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers from other funds	2,601	902,471
Net cash provided by (used for) noncapital financing activities	<u>\$ 2,601</u>	<u>\$ 902,471</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	\$ (306,036)	\$ -
Principal payments on bonds	(248,824)	(322,872)
Payment to escrow agent for refunding	(1,472,684)	(110,288)
Proceeds from indebtedness	1,508,127	112,941
Contributions in aid of construction	50,000	-
Interest payments	(278,608)	(217,054)
Bond issuance costs	(35,443)	(2,654)
Connection fees	15,457	-
Net cash provided by (used for) capital and related financing activities	<u>\$ (768,011)</u>	<u>\$ (539,927)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	\$ 1,407	\$ -
Note receivable payments	-	46,000
Net cash provided by (used for) investing activities	<u>\$ 1,407</u>	<u>\$ 46,000</u>
Net increase (decrease) in cash and cash equivalents	\$ (1,054,247)	\$ (1)
Cash and cash equivalents - beginning	1,266,895	1
Cash and cash equivalents - ending	<u>\$ 212,648</u>	<u>\$ -</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	<u>\$ (784,071)</u>	<u>\$ (726,234)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation expense	\$ 488,694	\$ 250,131
(Increase) decrease in accounts receivable	(1,660)	-
(Increase) decrease in inventories	-	10,833
(Increase) decrease in prepaid expenses	-	60,851
(Increase) decrease in deferred outflows of resources	(43,672)	(10,394)
Increase (decrease) in customer deposits	700	-
Increase (decrease) in accounts payable	13,346	300
Increase (decrease) in net OPEB obligation	16,829	-
Increase (decrease) in compensated absences	(13,409)	-
Increase (decrease) in net pension liability	81,010	14,651
Increase (decrease) in deferred inflows of resources	(48,011)	(8,683)
Total adjustments	<u>\$ 493,827</u>	<u>\$ 317,689</u>
Net cash provided by (used for) operating activities	<u>\$ (290,244)</u>	<u>\$ (408,545)</u>

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

County of Giles, Virginia
Statement of Net Position
Fiduciary Funds
June 30, 2016

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 59,934
Total assets	<u>\$ 59,934</u>
LIABILITIES	
Amounts held for Social Services clients	\$ 59,934
Total liabilities	<u>\$ 59,934</u>

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

COUNTY OF GILES, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

Note 1-Summary of Significant Accounting Policies:

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

A. Financial Reporting Entity

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

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

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

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

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

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

Jointly Governed Organizations - The County and the Counties of Bland, Carroll, Floyd, Grayson, and Wythe and the City of Radford participate in supporting the New River Valley Regional Jail Authority. The monthly payment made by the County to the Regional Jail is based on the number of prisoners housed for the County. For the year ended June 30, 2016, the County paid \$1,055,040 for the confinement of prisoners.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

The government reports the following major governmental funds:

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

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

The government reports the following major proprietary funds:

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

Additionally, the government reports the following fund types:

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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

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

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

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

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

1. Cash and Cash Equivalents

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

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

2. Investments

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

3. Receivables and Payables

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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

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

4. Property Taxes

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

5. Allowance for Uncollectible Accounts

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$107,467 at June 30, 2016 and is comprised solely of property taxes. The allowance amounted to approximately \$326,291 for the Water department at June 30, 2016 and is comprised solely of water billings and penalties.

6. Inventories and Prepaid Items

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

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

7. Use of Estimates

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

8. Capital Assets

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016Note 1-Summary of Significant Accounting Policies: (Continued)D. Assets, Deferred Outflows/Inflows of Resources, Liabilities, and Net Position/Fund Balance
(Continued)

8. Capital Assets (Continued)

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

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

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

9. Compensated Absences

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

10. Pensions

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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

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

11. Long-Term Obligations

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

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

12. Fund Equity

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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

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

12. Fund Equity (Continued)

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

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

13. Deferred Outflows/Inflows of Resources

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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

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

14. Net Position

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

15. Net Position Flow Assumption

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 2-Stewardship, Compliance, and Accountability:

A. Budgetary Information

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

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

B. Excess of Expenditures Over Appropriations

For the fiscal year ended June 30, 2016, the Comprehensive Services Fund and School Fund had expenditures in excess of appropriations.

C. Deficit Fund Equity

At June 30, 2016, there were no funds with deficit fund equity.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016Note 3-Deposits and Investments:Deposits:

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

Investments:

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

Credit Risk of Debt Securities:

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

The County's rated debt investments for SNAP were rated by Standard, as of June 30, 2016 and the ratings are presented below using the respective rating scale.

County's Rated Debt Investments' Values	
<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	AAAm
SNAP	\$ 452,793

External Investment Pools

The State Non-Arbitrage Pool (SNAP) is an open-end management investment company registered with the Securities and Exchange Commission. In May 2016, the Board voted to convert the SNAP fund to an LGIP structure, which would be managed in conformance with GASB 79. On October 3, 2016, the Prime Series became a government money market fund and the name was changed to Government Select Series. The Government Select Series has a policy of investing at least 99.5% of its assets in cash, U.S. government securities (including securities issued or guaranteed by the U.S. government or its agencies or instrumentalities) and/or repurchase agreements that are collateralized fully. SNAP is amortized cost basis portfolios under the provisions of GASB Statement No. 79. There are no withdrawal limitations or restrictions imposed on participants.

Interest Rate Risk:

The County has not adopted an investment policy for interest rate risk and had no investments subject to interest rate risk at June 30, 2016.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016Note 4-Due from Other Governmental Units:

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

	Primary Government Governmental	Component Unit- School Board
<u>Commonwealth of Virginia:</u>		
Local sales tax	\$ 207,668	\$ -
State sales tax	-	479,166
Categorical aid	11,313	-
Shared expenses	144,775	-
Non-categorical aid	166,665	-
Virginia public assistance funds	100,566	-
Community services act	248,536	-
<u>Federal Government:</u>		
Virginia public assistance funds	129,299	-
School grants	-	489,489
Categorical aid	1,800	-
Totals	\$ 1,010,622	\$ 968,655

Note 5-Interfund Transfers and Balances:

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

Fund	Transfers In	Transfers Out
<u>Primary Government:</u>		
General Fund	\$ -	\$ 4,324,707
Water and Sewer Fund	2,022,570	-
County Capital Improvements Fund	2,302,137	-
Total	\$ 4,324,707	\$ 4,324,707

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016Note 6-Long-Term Obligations:Primary Government - Governmental Activities Indebtedness:

The following is a summary of long-term obligation transactions of the County for the year ended June 30, 2016:

	Balance July 1, 2015	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2016
General obligation bonds	\$ 4,479,897	\$ -	\$ (957,771)	\$ 3,522,126
Lease revenue bonds	18,888,980	3,968,519	(4,904,343)	17,953,156
Unamortized premiums	1,819,386	557,212	(460,480)	1,916,118
Capital leases	137,884	203,141	(93,144)	247,881
Landfill postclosure liability	134,806	-	(44,127)	90,679
Net OPEB obligation	173,303	47,017	(35,317)	185,003
Compensated absences	548,589	556,259	(411,442)	693,406
Net pension liability	1,904,075	2,511,001	(1,497,898)	2,917,178
Total	\$ 28,086,920	\$ 7,843,149	\$ (8,404,522)	\$ 27,525,547

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

Year Ending June 30,	General Obligation Bonds		Lease Revenue Bonds	
	Principal	Interest	Principal	Interest
2017	\$ 979,507	\$ 181,478	\$ 407,256	\$ 683,812
2018	1,002,118	131,099	377,666	668,307
2019	760,895	79,541	628,512	640,948
2020	779,606	40,260	667,043	612,484
2021	-	-	1,194,875	572,467
2022-2026	-	-	6,386,377	2,048,652
2027-2031	-	-	6,062,400	946,669
2032-2034	-	-	2,229,027	95,883
Totals	\$ 3,522,126	\$ 432,378	\$17,953,156	\$6,269,222

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COUNTY OF GILES, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 6-Long-Term Obligations: (Continued)

Primary Government - Governmental Activities Indebtedness: (Continued)

Details of long-term indebtedness:

	Interest Rates	Date Issued	Final Maturity Date	Installment Amounts	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
<u>General Obligation (GO) Bonds:</u>							
General Obligation 2000A VPSA Bond	5.10-5.60%	5/18/2000	7/15/2020	\$75,000-100,000 a+	\$ 1,270,000	\$ 370,000	\$ 85,000
General Obligation 2000B VPSA Bond	5.10-5.27%	11/25/2000	7/15/2020	\$606,914-679,606 a+	11,508,990	2,638,850	640,484
General Obligation 1998A VPSA Bond	4.35-5.10%	11/19/1998	7/15/2018	\$194,058-209,765 a+	3,684,045	415,298	205,533
General Obligation 1998B VPSA Bond	4.35-5.10%	11/19/1998	7/15/2018	\$45,782-49,488 a+	869,126	97,978	48,490
Total General Obligation Bonds						<u>\$ 3,522,126</u>	<u>\$ 979,507</u>
<u>Lease Revenue Bonds:</u>							
Lease Revenue Bond Series 2008A	4.73%	11/20/2008	1/15/2024	\$178,000-291,732 a+	\$ 3,110,000	\$ 356,262	\$ 204,000
Lease Revenue Bond Series 2012C	2.82-4.83%	12/6/2012	4/1/2033	\$261,697-989,344 a+	13,943,366	10,410,375	-
Lease Revenue Bond Series 2014C	2.12%	6/11/2014	1/15/2034	\$146,000-212,000 a+	3,536,000	3,218,000	149,000
Lease Revenue Bond Series 2015D	3.13%	11/18/2015	10/1/2032	\$54,255-526,598 a+	2,508,519	2,508,519	54,256
Lease Revenue Bond Series 2015D	3.13%	11/18/2015	10/1/2023	\$215,000-275,000 a+	1,460,000	1,460,000	-
Total Lease Revenue Bonds						<u>\$ 17,953,156</u>	<u>\$ 407,256</u>
<u>Deferred Amount:</u>							
2012C Unamortized Premium						\$ 1,382,078	\$ 83,762
2015D Unamortized Premium						192,183	25,624
2015D Unamortized Premium						341,857	20,719
Total Unamortized Premiums						<u>\$ 1,916,118</u>	<u>\$ 130,105</u>
<u>Other Obligations:</u>							
Capital Leases (Note 8)						\$ 247,881	\$ 95,278
Landfill Postclosure Liability						90,679	-
Net OPEB Obligation						185,003	-
Compensated Absences						693,406	520,055
Net pension liability						2,917,178	-
Total Other Obligations						<u>\$ 4,134,147</u>	<u>\$ 615,333</u>
Total Long-Term Obligations						<u>\$ 27,525,547</u>	<u>\$ 2,132,201</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016Note 6-Long-Term Obligations: (Continued)Primary Government - Business-type Activities Indebtedness:

The following is a summary of long-term obligation transactions of the Enterprise Fund for the year ended June 30, 2016:

	Balance July 1, 2015	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2016
Revenue bond	\$ 286,892	\$ -	\$ (11,591)	\$ 275,301
Lease revenue bonds	7,058,980	1,322,445	(1,571,455)	6,809,970
Unamortized premiums	950,654	185,682	(233,960)	902,376
Net OPEB obligation	13,991	22,712	(5,883)	30,820
Compensated absences	58,346	30,351	(43,760)	44,937
Net pension liability	152,250	200,783	(119,773)	233,260
Total	<u>\$ 8,521,113</u>	<u>\$ 1,761,973</u>	<u>\$ (1,986,422)</u>	<u>\$ 8,296,664</u>

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

Year Ending June 30,	Revenue Bond		Lease Revenue Bonds	
	Principal	Interest	Principal	Interest
2017	\$ 11,591	\$ -	\$ 28,603	\$ 281,975
2018	11,591	-	38,698	271,983
2019	11,591	-	136,282	259,932
2020	11,591	-	149,742	244,930
2021	11,591	-	420,625	226,191
2022-2026	57,957	-	2,498,512	825,247
2027-2031	57,957	-	2,692,000	379,134
2032-2036	57,957	-	845,508	30,809
2037-2040	43,475	-	-	-
Totals	<u>\$ 275,301</u>	<u>\$ -</u>	<u>\$ 6,809,970</u>	<u>\$ 2,520,201</u>

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COUNTY OF GILES, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 6-Long-Term Obligations: (Continued)

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

Details of long-term indebtedness:

	Interest Rates	Date Issued	Final Maturity Date	Installment Amounts	Amount of Original Issue	Balance Business-Type Activities	Amount Due Within One Year
<u>Revenue Bond:</u>							
Revenue Bond	0.00%	3/5/2009	3/5/2039	\$11,591 a	\$ 347,742	\$ 275,301	\$ 11,591
<u>Lease Revenue Bonds:</u>							
Lease Revenue Bond Series 2012C	2.82-4.83%	12/6/2012	4/1/2033	\$137,950-521,955 a+	\$ 7,350,053	\$ 5,487,525	\$ -
Lease Revenue Bond Series 2015D	3.13%	11/18/2015	10/1/2032	\$28,603-277,613 a+	1,322,445	1,322,445	28,603
Total Lease Revenue Bonds						\$ 6,809,970	\$ 28,603
<u>Deferred Amount:</u>							
2012C Unamortized Premium						\$ 722,155	\$ 43,767
2015D Unamortized Premium						180,221	10,922
Total Unamortized Premiums						\$ 902,376	\$ 54,689
<u>Other Obligations:</u>							
Net OPEB Obligation						\$ 30,820	\$ -
Compensated Absences						44,937	33,703
Net pension liability						233,260	-
Total Other Obligations						\$ 309,017	\$ 33,703
Total Long-Term Obligations						\$ 8,296,664	\$ 128,586

Note 7-Long-Term Obligations-Component Units:

Discretely Presented Component Unit - School Board Indebtedness:

The following is a summary of long-term obligation transactions of the Component-Unit School Board for the year ended June 30, 2016:

	Balance July 1, 2015	Increases	Decreases	Balance July 1, 2016
Net OPEB Obligation	\$ 377,658	\$ 437,284	\$ (327,300)	\$ 487,642
Compensated Absences	405,125	242,152	(303,844)	343,433
Net pension liability	20,027,715	5,339,746	(4,463,341)	20,904,120
Total	\$ 782,783	\$ 6,019,182	\$ (5,094,485)	\$ 21,735,195

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016Note 7-Long-Term Obligations-Component Units: (Continued)Discretely Presented Component Unit - School Board Indebtedness: (Continued)Details of long-term indebtedness:

	Total Amount	Amount Due Within One Year
<u>Other Obligations:</u>		
Net OPEB obligation	\$ 487,642	\$ -
Compensated absences	343,433	257,575
Net pension liability	20,904,120	-
	<u>\$ 21,735,195</u>	<u>\$ 257,575</u>
Total Long-Term Obligations	<u>\$ 21,735,195</u>	<u>\$ 257,575</u>

Discretely Presented Component Unit - Industrial Development Authority indebtedness:

The following is a summary of long-term obligation transactions of the Component-Unit Industrial Development Authority for the year ended June 30, 2016:

	Balance July 1, 2015	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2016
Notes Payable	\$ 2,635,468	\$ -	\$ (128,106)	\$ 2,507,362
Lease Revenue Bonds	3,677,783	99,036	(294,684)	3,482,135
Unamortized Premium	71,973	13,905	(17,709)	68,169
Net pension liability	27,536	36,313	(21,662)	42,187
	<u>\$ 6,412,760</u>	<u>\$ 149,254</u>	<u>\$ (462,161)</u>	<u>\$ 6,099,853</u>
Total	<u>\$ 6,412,760</u>	<u>\$ 149,254</u>	<u>\$ (462,161)</u>	<u>\$ 6,099,853</u>

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

Year Ending June 30,	Notes Payable		Lease Revenue Bonds	
	Principal	Interest	Principal	Interest
2017	\$ 128,106	\$ 109,799	\$ 184,142	\$ 97,183
2018	133,695	104,210	189,898	92,404
2019	139,528	98,377	202,206	87,253
2020	145,616	92,289	207,214	81,746
2021	151,970	85,935	231,500	75,623
2022-2026	865,288	324,239	1,276,110	273,209
2027-2031	943,159	118,261	1,003,600	91,370
2032-2034	-	-	187,465	7,992
Totals	<u>\$ 2,507,362</u>	<u>\$ 933,110</u>	<u>\$ 3,482,135</u>	<u>\$ 806,780</u>

COUNTY OF GILES, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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

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

Details of long-term indebtedness:

	<u>Interest Rates</u>	<u>Date Issued</u>	<u>Final Maturity Date</u>	<u>Installment Amounts</u>	<u>Amount of Original Issue</u>	<u>Balance Business- type Activities</u>	<u>Amount Due with- in One Year</u>
<u>Notes Payable:</u>							
Notes Payable	4.27%	8/12/2010	7/15/2031	\$103,611 a	\$ 1,393,644	\$ 1,091,991	\$ 55,792
Notes Payable	4.27%	8/12/2010	7/15/2031	\$134,294 a	1,806,356	1,415,371	72,314
Total Notes Payable						\$ 2,507,362	\$ 128,106
<u>Lease Revenue Bonds:</u>							
Lease Revenue Bond Series 2012C	2.82-4.83%	12/6/2012	4/1/2033	\$10,352-39,137 a+	\$ 551,581	\$ 412,099	\$ -
Lease Revenue Bond Series 2014A	2.12%	6/11/2014	1/15/2029	\$105,000-138,000 a+	1,809,000	1,586,000	107,000
Lease Revenue Bond Series 2014B	3.93%	6/11/2014	1/15/209	\$43,000-71,000 a+	844,000	746,000	45,000
Lease Revenue Bond Series 2014C	2.12%	6/11/2014	1/15/2034	\$29,000-42,000 a+	702,000	639,000	30,000
Lease Revenue Bond Series 2015D	3.13%	11/18/2015	10/1/2032	\$2,142-20,790 a+	99,036	99,036	2,142
Total Lease Revenue Bonds						\$ 3,482,135	\$ 184,142
<u>Deferred Amount:</u>							
2012C Unamortized Premium						\$ 54,673	\$ 3,314
2015D Unamortized Premium						13,496	818
Total Unamortized Premiums						\$ 68,169	\$ 4,132
<u>Other Obligations:</u>							
Net pension liability						\$ 42,187	\$ -
Total Long-Term Obligations						\$ 6,099,853	\$ 316,380

Note 8-Capital Leases:

Primary Government

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

The assets acquired through capital leases are as follows:

	<u>E-911 Equipment</u>	<u>Modular Classrooms</u>
Machinery and equipment	\$ 170,718	\$ 203,141
Less: Accumulated depreciation	<u>(107,053)</u>	<u>(8,237)</u>
Net Capital Assets	<u>\$ 63,665</u>	<u>\$ 194,904</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 8-Capital Leases: (Continued)Primary Government (Continued)

The future minimum lease obligations and the net present value of minimum lease payments as of June 30, 2016, were as follows:

<u>Year Ending June 30,</u>	<u>E-911 Equipment</u>	<u>Modular Classrooms</u>
2017	\$ 49,112	\$ 54,882
2018	49,112	54,882
2019	<u>-</u>	<u>54,882</u>
Subtotal	\$ 98,224	\$ 164,646
Less, amount representing interest	<u>(4,778)</u>	<u>(10,211)</u>
Present Value of Lease Agreement	\$ <u>93,446</u>	\$ <u>154,435</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 9-Pension Plan:*Plan Description*

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 9-Pension Plan: (Continued)*Plan Description (Continued)*

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016Note 9-Pension Plan: (Continued)*Plan Description (Continued)*

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016Note 9-Pension Plan: (Continued)*Plan Description (Continued)*

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 9-Pension Plan: (Continued)*Plan Description (Continued)*

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 9-Pension Plan: (Continued)*Plan Description (Continued)*

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016Note 9-Pension Plan: (Continued)*Plan Description (Continued)*

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 9-Pension Plan: (Continued)*Plan Description (Continued)*

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 9-Pension Plan: (Continued)*Plan Description (Continued)*

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016Note 9-Pension Plan: (Continued)*Plan Description (Continued)*

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016Note 9-Pension Plan: (Continued)*Plan Description (Continued)*

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 9-Pension Plan: (Continued)*Plan Description (Continued)*

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

Employees Covered by Benefit Terms

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

	Primary Government	Component Unit School Board Nonprofessional
Inactive members or their beneficiaries currently receiving benefits	92	47
Inactive members:		
Vested inactive members	29	4
Non-vested inactive members	19	18
Inactive members active elsewhere in VRS	54	13
Total inactive members	102	35
Active members	106	54
Total covered employees	300	136

Contributions

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

The County's contractually required contribution rate for the year ended June 30, 2016 was 12.12% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 9-Pension Plan: (Continued)

Contributions (Continued)

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were \$658,143 and \$543,957 for the years ended June 30, 2016 and June 30, 2015, respectively.

The Component Unit Industrial Development Authority's (IDA) contractually required contribution rate for the year ended June 30, 2016 was 12.12% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit IDA were \$10,905 and \$7,284 for the years ended June 30, 2016 and June 30, 2015, respectively.

The Component Unit School Board's contractually required contribution rate for nonprofessional employees for the year ended June 30, 2016 was 12.33% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board's nonprofessional employees were \$46,776 and \$141,960 for the years ended June 30, 2016 and June 30, 2015, respectively.

Net Pension Liability

The County's, Component Unit IDA, and Component Unit School Board's (nonprofessional) net pension liabilities were measured as of June 30, 2015. The total pension liabilities used to calculate the net pension liabilities 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.

Actuarial Assumptions - General Employees

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 9-Pension Plan: (Continued)

Actuarial Assumptions - General Employees (Continued)

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 9-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

Actuarial Assumptions - Public Safety Employees

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

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

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

Largest 10 - Non-LEOS:

Pre-Retirement:

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 9-Pension Plan: (Continued)

Actuarial Assumptions - Public Safety Employees (Continued)

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - LEOS:

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016Note 9-Pension Plan: (Continued)*Long-Term Expected Rate of Return*

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

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

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016Note 9-Pension Plan: (Continued)*Discount Rate*

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

Changes in Net Pension Liability

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2014	\$ 20,819,241	\$ 18,762,916	\$ 2,056,325
Changes for the year:			
Service cost	\$ 533,859	\$ -	\$ 533,859
Interest	1,418,513	-	1,418,513
Differences between expected and actual experience	747,408	-	747,408
Contributions - employer	-	543,957	(543,957)
Contributions - employee	-	222,825	(222,825)
Net investment income	-	850,887	(850,887)
Benefit payments, including refunds of employee contributions	(1,109,557)	(1,109,557)	-
Administrative expenses	-	(11,820)	11,820
Other changes	-	(182)	182
Net changes	\$ 1,590,223	\$ 496,110	\$ 1,094,113
Balances at June 30, 2015	\$ 22,409,464	\$ 19,259,026	\$ 3,150,438

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016Note 9-Pension Plan: (Continued)*Changes in Net Pension Liability*

	Component Unit Industrial Development Authority		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2014	\$ 278,789	\$ 251,253	\$ 27,536
Changes for the year:			
Service cost	\$ 7,149	\$ -	\$ 7,149
Interest	18,995	-	18,995
Differences between expected and actual experience	10,009	-	10,009
Contributions - employer	-	7,284	(7,284)
Contributions - employee	-	2,984	(2,984)
Net investment income	-	11,394	(11,394)
Benefit payments, including refunds of employee contributions	(14,858)	(14,858)	-
Administrative expenses	-	(158)	158
Other changes	-	(2)	2
Net changes	\$ 21,295	\$ 6,644	\$ 14,651
Balances at June 30, 2015	\$ 300,084	\$ 257,897	\$ 42,187

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016Note 9-Pension Plan: (Continued)*Changes in Net Pension Liability*

	Component Unit-School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2014	\$ 5,406,125	\$ 4,364,410	\$ 1,041,715
Changes for the year:			
Service cost	\$ 108,343	\$ -	\$ 108,343
Interest	366,994	-	366,994
Differences between expected and actual experience	69,592	-	69,592
Contributions - employer	-	141,960	(141,960)
Contributions - employee	-	57,024	(57,024)
Net investment income	-	196,357	(196,357)
Benefit payments, including refunds of employee contributions	(326,696)	(326,696)	-
Administrative expenses	-	(2,775)	2,775
Other changes	-	(42)	42
Net changes	\$ 218,233	\$ 65,828	\$ 152,405
Balances at June 30, 2015	\$ 5,624,358	\$ 4,430,238	\$ 1,194,120

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016Note 9-Pension Plan: (Continued)*Sensitivity of the Net Pension Liability to Changes in the Discount Rate*

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
County			
Net Pension Liability (Asset)	6,114,503	3,150,438	698,462
Component Unit Industrial Development Authority			
Net Pension Liability (Asset)	81,879	42,187	9,353
Component Unit School Board (nonprofessional)			
Net Pension Liability	1,883,595	1,194,120	618,590

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016Note 9-Pension Plan: (Continued)*Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

For the year ended June 30, 2016, the County, Component Unit IDA, and Component Unit School Board (nonprofessional) recognized pension expense of \$483,847, \$6,479, and \$96,991, respectively. At June 30, 2016, the County, Component Unit IDA, and Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government		Component Unit- Industrial Development Authority		Component Unit-School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 520,921	\$ -	\$ 6,976	\$ -	\$ 46,700	\$ -
Net difference between projected and actual earnings on pension plan investments	-	505,019	-	6,763	-	117,357
Employer contributions subsequent to the measurement date	658,143	-	10,905	-	46,766	-
Total	<u>\$ 1,179,064</u>	<u>\$ 505,019</u>	<u>\$ 17,881</u>	<u>\$ 6,763</u>	<u>\$ 93,466</u>	<u>\$ 117,357</u>

\$658,143, \$10,905, and \$46,766 reported as deferred outflows of resources related to pensions resulting from the County's, Component Unit IDA's, and Component Unit School Board's (nonprofessional) contributions, respectively, subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 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	Primary Government	Component Unit Industrial Development Authority	Component Unit School Board (nonprofessional)
2017	\$ 28,141	\$ 377	\$ (23,199)
2018	28,141	377	(23,199)
2019	(130,398)	(1,746)	(45,174)
2020	90,018	1,205	20,915
Thereafter	-	-	-

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 9-Pension Plan: (Continued)

Component Unit School Board (professional)

Plan Description

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

Contributions

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

Each School Division's contractually required contribution rate for the year ended June 30, 2016 was 14.56% 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 \$192,884,000 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 \$1,662,000 and \$1,683,000 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 \$19,710,000 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 0.15660% as compared to 0.15711% at June 30, 2014.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016Note 9-Pension Plan: (Continued)Component Unit School Board (professional) (Continued)*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)*

For the year ended June 30, 2016, the school division recognized pension expense of \$1,548,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 271,000
Change in assumptions	-	58,000
Net difference between projected and actual earnings on pension plan investments	-	1,207,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	426,000	-
Employer contributions subsequent to the measurement date	1,662,000	-
Total	\$ 2,088,000	\$ 1,536,000

\$1,662,000 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 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	
2017	\$ (430,000)
2018	(430,000)
2019	(430,000)
2020	214,000
Thereafter	(34,000)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 9-Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Actuarial Assumptions

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016Note 9-Pension Plan: (Continued)Component Unit School Board (professional) (Continued)*Long-Term Expected Rate of Return*

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016Note 9-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	\$ 28,844,000	\$ 19,710,000	\$ 12,191,000

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2015 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.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016Note 10- Unavailable/Deferred Revenue:

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

		<u>Unavailable</u>		<u>Deferred</u>
Property taxes receivable due after June 30, 2016	\$	2,952,437	\$	2,952,437
Property taxes receivable due prior to June 30, 2016		616,488		-
Prepaid taxes		354,876		354,876
Total unavailable revenue for governmental funds	\$	<u>3,923,801</u>	\$	<u>3,307,313</u>

Note 11-Capital Assets:

Capital asset activity for the year ended June 30, 2016 was as follows:

Primary Government:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 530,530	\$ -	\$ -	\$ 530,530
Construction in progress	379,510	1,037,298	(118,003)	1,298,805
Total capital assets not being depreciated	<u>\$ 910,040</u>	<u>\$ 1,037,298</u>	<u>\$ (118,003)</u>	<u>\$ 1,829,335</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 39,001,253	\$ -	\$ (3,065,925)	\$ 35,935,328
Machinery and equipment	3,568,822	254,258	-	3,823,080
Total capital assets being depreciated	<u>\$ 42,570,075</u>	<u>\$ 254,258</u>	<u>\$ (3,065,925)</u>	<u>\$ 39,758,408</u>
Accumulated depreciation:				
Buildings and improvements	\$ (19,247,087)	\$ (1,913,766)	\$ 3,065,925	\$ (18,094,928)
Machinery and equipment	(2,684,893)	(265,621)	-	(2,950,514)
Total accumulated depreciation	<u>\$ (21,931,980)</u>	<u>\$ (2,179,387)</u>	<u>\$ 3,065,925</u>	<u>\$ (21,045,442)</u>
Total capital assets being depreciated, net	<u>\$ 20,638,095</u>	<u>\$ (1,925,129)</u>	<u>\$ -</u>	<u>\$ 18,712,966</u>
Governmental activities capital assets, net	<u>\$ 21,548,135</u>	<u>\$ (887,831)</u>	<u>\$ (118,003)</u>	<u>\$ 20,542,301</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016Note 11-Capital Assets: (Continued)

Primary Government: (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 13,000	\$ -	\$ -	\$ 13,000
Construction in progress	2,618,082	94,246	-	2,712,328
Total capital assets, not being depreciated	<u>\$ 2,631,082</u>	<u>\$ 94,246</u>	<u>\$ -</u>	<u>\$ 2,725,328</u>
Capital assets, being depreciated:				
Utility plant and infrastructure	\$ 14,327,270	\$ -	\$ -	\$ 14,327,270
Machinery and equipment	496,786	56,607	-	553,393
Total capital assets, being depreciated	<u>\$ 14,824,056</u>	<u>\$ 56,607</u>	<u>\$ -</u>	<u>\$ 14,880,663</u>
Accumulated depreciation:				
Utility plant and infrastructure	\$ (4,359,535)	\$ (458,150)	\$ -	\$ (4,817,685)
Machinery and equipment	(309,006)	(30,544)	-	(339,550)
Total accumulated depreciation	<u>\$ (4,668,541)</u>	<u>\$ (488,694)</u>	<u>\$ -</u>	<u>\$ (5,157,235)</u>
Total capital assets being depreciated, net	<u>\$ 10,155,515</u>	<u>\$ (432,087)</u>	<u>\$ -</u>	<u>\$ 9,723,428</u>
Business-type activities capital assets, net	<u>\$ 12,786,597</u>	<u>\$ (337,841)</u>	<u>\$ -</u>	<u>\$ 12,448,756</u>

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

Governmental activities:	
General government administration	\$ 120,329
Judicial administration	35,763
Public safety	172,788
Public works	12,586
Education	1,746,398
Parks, recreation, and cultural	10,574
Community development	80,949
Total depreciation expense-governmental activities	<u>\$ 2,179,387</u>
Business-type activities:	
Water department	<u>\$ 488,694</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016Note 11-Capital Assets: (Continued)

Capital asset activity for the School Board for the year ended June 30, 2016 was as follows:

Discretely Presented Component Unit-School Board:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 473,652	\$ -	\$ -	\$ 473,652
Construction in progress	30,576	109,761	(61,915)	78,422
Total capital assets not being depreciated	<u>\$ 504,228</u>	<u>\$ 109,761</u>	<u>\$ (61,915)</u>	<u>\$ 552,074</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 11,670,365	\$ 3,287,568	\$ -	\$ 14,957,933
Machinery and equipment	4,633,514	505,040	-	5,138,554
Total capital assets being depreciated	<u>\$ 16,303,879</u>	<u>\$ 3,792,608</u>	<u>\$ -</u>	<u>\$ 20,096,487</u>
Accumulated depreciation:				
Buildings and improvements	\$ (8,789,560)	\$ (3,419,261)	\$ -	\$ (12,208,821)
Machinery and equipment	(3,492,179)	(293,384)	-	(3,785,563)
Total accumulated depreciation	<u>\$ (12,281,739)</u>	<u>\$ (3,712,645)</u>	<u>\$ -</u>	<u>\$ (15,994,384)</u>
Total capital assets being depreciated, net	<u>\$ 4,022,140</u>	<u>\$ 79,963</u>	<u>\$ -</u>	<u>\$ 4,102,103</u>
Governmental activities capital assets, net	<u>\$ 4,526,368</u>	<u>\$ 189,724</u>	<u>\$ (61,915)</u>	<u>\$ 4,654,177</u>

Depreciation expense of \$646,720 was charged to education in the Statement of Activities.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016Note 11-Capital Assets: (Continued)

Capital asset activity for the Industrial Development Authority for the year ended June 30, 2016 was as follows:

Discretely Presented Component Unit-Industrial Development Authority:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 618,634	\$ -	\$ (10,833)	\$ 607,801
Total capital assets not being depreciated	\$ 618,634	\$ -	\$ (10,833)	\$ 607,801
Capital assets, being depreciated:				
Buildings and improvements	\$ 9,493,633	\$ -	\$ -	\$ 9,493,633
Accumulated depreciation:				
Buildings and improvements	\$ (1,489,549)	\$ (250,131)	\$ -	\$ (1,739,680)
Total capital assets being depreciated, net	\$ 8,004,084	\$ (250,131)	\$ -	\$ 7,753,953
Business-type activities capital assets, net	\$ 8,622,718	\$ (250,131)	\$ (10,833)	\$ 8,361,754

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

Note 12-Inventories/Assets Held for Resale:

Discretely Presented Component Unit-Industrial Development Authority:

The Industrial Development Authority has assets consisting of land and structures specifically held for resale that are not depreciated. At June 30, 2016, the value of these assets was \$1,705,481.

The following is a summary of transactions for these assets for the year ended June 30, 2016.

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 13-Risk Management:

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

Note 14-Contingent Liabilities:

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

Note 15-Surety Bonds:

Primary Government:

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

Note 16-Landfill Postclosure Liability:

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The County landfill has been closed. Total costs for landfill postclosure are estimated to be \$90,679. This amount is based on what it would cost to perform all postclosure care in 2016. Actual costs for postclosure monitoring may change due to inflation, deflation, changes in technology or changes in regulations. The County uses the Commonwealth of Virginia's financial assurance mechanism to meet the Department of Environmental Quality's assurance requirements for landfill post-closure costs.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 16-Landfill Postclosure Liability: (Continued)

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

Note 17-Other Postemployment Benefits - Health Care:

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

A. Plan Description

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

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

B. Funding Policy

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016Note 17-Other Postemployment Benefits - Health Care: (Continued)

B. Funding Policy (Continued)

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

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

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

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

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

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016Note 17-Other Postemployment Benefits - Health Care: (Continued)

C. Annual OPEB Cost and Net OPEB Obligation

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

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

	Primary Government			Component Unit
	General	Water and Sewer	Total	School Board
Annual required contribution	\$ 60,090	\$ 10,010	\$ 70,100	\$ 444,600
Interest on net OPEB obligation	5,619	936	6,555	13,218
Adjustment to annual required contribution	(18,692)	11,766	(6,926)	(20,534)
Annual OPEB cost (expense)	47,017	22,712	69,729	437,284
Contributions made	(35,317)	(5,883)	(41,200)	(327,300)
Increase (Decrease) in net OPEB obligation	11,700	16,829	28,529	109,984
Net OPEB obligation - beginning of year	173,303	13,991	187,294	377,658
Net OPEB obligation - end of year	\$ 185,003	\$ 30,820	\$ 215,823	\$ 487,642

The County and School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and the two preceding years were as follows:

Entity	Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
County	6/30/2016	\$ 69,729	59%	\$ 215,823
County	6/30/2015	67,296	50%	187,294
County	6/30/2014	72,661	55%	153,498
School Board	6/30/2016	437,284	75%	487,642
School Board	6/30/2015	431,188	80%	377,658
School Board	6/30/2014	604,492	97%	289,670

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016Note 17-Other Postemployment Benefits - Health Care: (Continued)

D. Funded Status and Funding Progress

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

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

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

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

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

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

E. Actuarial Methods and Assumptions

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 17-Other Postemployment Benefits - Health Care: (Continued)

E. Actuarial Methods and Assumptions (Continued)

Primary Government:

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

Discretely Presented Component Unit - School Board:

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

Note 18-Other Postemployment Benefits (OPEB)-VRS Health Insurance Credit:

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

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

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The School's Boards contributions to VRS were \$126,270, \$123,401, and \$127,526 for the fiscal years ended 2016, 2015, and 2014, respectively, and equaled the required contributions. The School Board's contributions represented 1.06%, 1.06%, and 1.11% of annual covered payroll for the fiscal years ended 2016, 2015, and 2014, respectively.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016Note 19 - Commitments and Contingencies:

At June 30, 2016, the following construction commitments were outstanding:

Project	Total Due	Retainage	Net Amount Due
Business-type Activities			
460 Water Extension Project	\$ 39,730	\$ 20,728	\$ 19,002

Note 20-Litigation:

As of June 30, 2016, there were no matters of litigation involving the County which would materially affect the County's financial position should an court decisions on pending matters not be favorable.

Note 21-Adoption of Accounting Principle:

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

The County 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 County's financial statement as a result of the implementation of Statement No. 79. All required disclosures are located in Note 3.

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

The County 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.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 22 - 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.

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.

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.

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.

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.

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.

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

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

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
REVENUES				
General property taxes	\$ 13,227,101	\$ 13,227,101	\$ 13,716,313	\$ 489,212
Other local taxes	1,961,507	1,961,507	2,104,456	142,949
Permits, privilege fees, and regulatory licenses	34,701	34,701	44,814	10,113
Fines and forfeitures	42,092	42,092	33,190	(8,902)
Revenue from the use of money and property	162,992	162,992	122,015	(40,977)
Charges for services	607,223	608,819	587,019	(21,800)
Miscellaneous	36,993	36,993	160,325	123,332
Recovered costs	1,219,830	1,272,256	1,965,637	693,381
Intergovernmental:				
Commonwealth	4,815,609	5,042,405	5,794,883	752,478
Federal	1,373,375	1,405,307	1,673,243	267,936
Total revenues	<u>\$ 23,481,423</u>	<u>\$ 23,794,173</u>	<u>\$ 26,201,895</u>	<u>\$ 2,407,722</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,962,819	\$ 2,043,090	\$ 1,962,673	\$ 80,417
Judicial administration	773,462	793,564	784,958	8,606
Public safety	4,241,751	4,854,813	4,623,190	231,623
Public works	705,353	871,553	809,577	61,976
Health and welfare	3,815,389	4,663,552	4,901,844	(238,292)
Education	6,495,741	6,869,885	7,853,914	(984,029)
Parks, recreation, and cultural	535,505	702,813	693,810	9,003
Community development	825,211	449,315	1,323,577	(874,262)
Nondepartmental	1,153,703	877,301	563,217	314,084
Debt service:				
Principal retirement	1,097,580	1,097,580	1,050,915	46,665
Interest and other fiscal charges	253,920	253,920	243,124	10,796
Total expenditures	<u>\$ 21,860,434</u>	<u>\$ 23,477,386</u>	<u>\$ 24,810,799</u>	<u>\$ (1,333,413)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 1,620,989</u>	<u>\$ 316,787</u>	<u>\$ 1,391,096</u>	<u>\$ 1,074,309</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (2,740,056)	\$ (2,950,677)	\$ (4,324,707)	\$ (1,374,030)
Total other financing sources (uses)	<u>\$ (2,740,056)</u>	<u>\$ (2,950,677)</u>	<u>\$ (4,324,707)</u>	<u>\$ (1,374,030)</u>
Net change in fund balances	\$ (1,119,067)	\$ (2,633,890)	\$ (2,933,611)	\$ (299,721)
Fund balances - beginning	1,684,368	3,088,715	4,553,514	1,464,799
Fund balances - ending	<u>\$ 565,301</u>	<u>\$ 454,825</u>	<u>\$ 1,619,903</u>	<u>\$ 1,165,078</u>

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

Primary Government: Other Postemployment Benefit

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

Discretely Presented Component Unit: School Board Other Postemployment Benefit

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

County of Giles, Virginia
Schedule of Components of and Changes in Net Pension Liability and Related Ratios
Primary Government
For the Year Ended June 30, 2016

	2015	2014
Total pension liability		
Service cost	\$ 533,859	\$ 470,527
Interest	1,418,513	1,365,894
Changes of benefit terms	-	-
Differences between expected and actual experience	747,408	-
Changes in assumptions	-	-
Benefit payments, including refunds of employee contributions	(1,109,557)	(1,059,912)
Net change in total pension liability	\$ 1,590,223	\$ 776,509
Total pension liability - beginning	20,819,241	20,042,729
Total pension liability - ending (a)	\$ 22,409,464	\$ 20,819,238
Plan fiduciary net position		
Contributions - employer	\$ 543,957	\$ 532,111
Contributions - employee	222,825	219,470
Net investment income	850,887	2,585,528
Benefit payments, including refunds of employee contributions	(1,109,557)	(1,059,912)
Administrative expense	(11,820)	(14,071)
Other	(181)	136
Net change in plan fiduciary net position	\$ 496,111	\$ 2,263,262
Plan fiduciary net position - beginning	18,762,916	16,499,651
Plan fiduciary net position - ending (b)	\$ 19,259,027	\$ 18,762,913
County's net pension liability - ending (a) - (b)	\$ 3,150,437	\$ 2,056,325
Plan fiduciary net position as a percentage of the total pension liability	85.94%	90.12%
Covered payroll	\$ 4,637,626	\$ 4,416,158
County's net pension liability as a percentage of covered payroll	67.93%	46.56%

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

County of Giles, Virginia
Schedule of Components of and Changes in Net Pension Liability and Related Ratios
Industrial Development Authority
For the Year Ended June 30, 2016

	2015	2014
Total pension liability		
Service cost	\$ 7,149	\$ 6,301
Interest	18,995	18,291
Changes of benefit terms	-	-
Differences between expected and actual experience	10,009	-
Changes in assumptions	-	-
Benefit payments, including refunds of employee contributions	(14,858)	(14,193)
Net change in total pension liability	\$ 21,295	\$ 10,399
Total pension liability - beginning	278,789	268,395
Total pension liability - ending (a)	\$ 300,084	\$ 278,794
Plan fiduciary net position		
Contributions - employer	\$ 7,284	\$ 7,126
Contributions - employee	2,984	2,939
Net investment income	11,394	34,623
Benefit payments, including refunds of employee contributions	(14,858)	(14,193)
Administrative expense	(158)	(188)
Other	(2)	2
Net change in plan fiduciary net position	\$ 6,644	\$ 30,309
Plan fiduciary net position - beginning	251,253	220,949
Plan fiduciary net position - ending (b)	\$ 257,897	\$ 251,258
County's net pension liability - ending (a) - (b)	\$ 42,187	\$ 27,536
Plan fiduciary net position as a percentage of the total pension liability	85.94%	90.12%
Covered payroll	\$ 62,102	\$ 59,137
County's net pension liability as a percentage of covered payroll	67.93%	46.56%

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

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

	2015	2014
Total pension liability		
Service cost	\$ 108,343	\$ 107,050
Interest	366,994	356,957
Changes of benefit terms	-	-
Differences between expected and actual experience	69,592	-
Changes in assumptions	-	-
Benefit payments, including refunds of employee contributions	(326,696)	(314,534)
Net change in total pension liability	\$ 218,233	\$ 149,473
Total pension liability - beginning	5,406,125	5,256,652
Total pension liability - ending (a)	<u>\$ 5,624,358</u>	<u>\$ 5,406,125</u>
Plan fiduciary net position		
Contributions - employer	\$ 141,960	\$ 181,467
Contributions - employee	57,024	57,830
Net investment income	196,357	601,209
Benefit payments, including refunds of employee contributions	(326,696)	(314,534)
Administrative expense	(2,775)	(3,272)
Other	(42)	32
Net change in plan fiduciary net position	\$ 65,828	\$ 522,732
Plan fiduciary net position - beginning	4,364,410	3,841,678
Plan fiduciary net position - ending (b)	<u>\$ 4,430,238</u>	<u>\$ 4,364,410</u>
School Division's net pension liability - ending (a) - (b)	\$ 1,194,120	\$ 1,041,715
Plan fiduciary net position as a percentage of the total pension liability	78.77%	80.73%
Covered payroll	\$ 1,158,779	\$ 1,156,588
School Division's net pension liability as a percentage of covered payroll	103.05%	90.07%

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

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

	2015	2014
Employer's Proportion of the Net Pension Liability (Asset)	0.15660%	0.15711%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 19,710,000	\$ 18,986,000
Employer's Covered Payroll	11,641,598	11,479,014
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	169.31%	165.40%
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.

County of Giles, Virginia
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)
Primary Government					
2016	\$ 658,143	\$ 658,143	\$ -	\$ 5,447,257	12.08%
2015	543,957	543,957	-	4,637,626	11.73%
2014	541,511	541,511	-	4,475,295	12.10%
2013	493,406	493,406	-	4,077,736	12.10%
2012	364,517	364,517	-	3,727,167	9.78%
2011	377,548	377,548	-	3,860,410	9.78%
2010	223,900	223,900	-	3,976,909	5.63%
2009	225,204	225,204	-	4,000,078	5.63%
2008	171,864	171,864	-	3,870,808	4.44%
2007	146,151	146,151	-	3,672,147	3.98%
Component Unit School Board (nonprofessional)					
2016	\$ 46,766	\$ 46,766	\$ -	\$ 380,778	12.28%
2015	141,960	141,960	-	1,158,779	12.25%
2014	181,469	181,469	-	1,156,588	15.69%
2013	170,853	170,853	-	1,088,927	15.69%
2012	132,884	132,884	-	1,058,837	12.55%
2011	131,890	131,890	-	1,050,914	12.55%
2010	135,141	135,141	-	1,218,586	11.09%
2009	136,203	136,203	-	1,228,165	11.09%
2008	167,410	167,410	-	1,245,610	13.44%
2007	167,617	167,617	-	1,247,152	13.44%
Component Unit School Board (professional)					
2016	\$ 1,662,000	\$ 1,662,000	\$ -	\$ 11,912,257	13.95%
2015	1,682,000	1,682,000	-	11,641,598	14.45%
2014	1,338,453	1,338,453	-	11,479,014	11.66%
2013	1,274,429	1,274,429	-	10,929,923	11.66%
2012	1,228,780	1,228,780	-	19,412,006	6.33%
2011	982,990	982,990	-	11,157,662	8.81%
2010	1,322,115	1,322,115	-	15,006,981	8.81%
2009	1,617,526	1,617,526	-	18,360,114	8.81%
2008	1,749,891	1,749,891	-	16,989,233	10.30%
2007	1,587,371	1,587,371	-	17,254,033	9.20%
Component Unit IDA					
2016	\$ 10,905	\$ 10,905	\$ -	\$ 72,944	14.95%
2015	7,284	7,284	-	62,102	11.73%

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

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

County of Giles, Virginia
Notes to Required Supplementary Information
For the Year Ended June 30, 2016

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 of withdrawals for 3 through 9 years of service
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

County of Giles, Virginia
 Capital Improvements Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2016

	County Capital Improvements Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 9,490	\$ 9,490
Recovered costs	-	-	1,636	1,636
Total revenues	\$ -	\$ -	\$ 11,126	\$ 11,126
EXPENDITURES				
Current:				
General government administration	\$ -	\$ 35,163	\$ 35,163	\$ -
Public works	3,700,000	3,793,104	543,920	3,249,184
Community development	100,000	295,672	411,190	(115,518)
Debt service:				
Principal retirement	1,441,491	1,214,949	862,484	352,465
Interest and other fiscal charges	-	800	762,309	(761,509)
Total expenditures	\$ 5,241,491	\$ 5,339,688	\$ 2,615,066	\$ 2,724,622
Excess (deficiency) of revenues over (under) expenditures	\$ (5,241,491)	\$ (5,339,688)	\$ (2,603,940)	\$ 2,735,748
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 1,741,491	\$ 1,839,688	\$ 2,302,137	\$ 462,449
Issuance of refunding lease revenue bond	3,500,000	3,500,000	3,968,519	468,519
Issuance of capital leases	-	-	203,141	203,141
Payment to bond escrow agent	-	-	(4,410,342)	(4,410,342)
Premium on debt issuance	-	-	557,212	557,212
Total other financing sources (uses)	\$ 5,241,491	\$ 5,339,688	\$ 2,620,667	\$ (2,719,021)
Net change in fund balances	\$ -	\$ -	\$ 16,727	\$ 16,727
Fund balances - beginning	-	-	4,484,133	4,484,133
Fund balances - ending	\$ -	\$ -	\$ 4,500,860	\$ 4,500,860

FIDUCIARY FUNDS

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

County of Giles, Virginia
Statement of Changes in Assets and Liabilities
Agency Fund
June 30, 2016

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
ASSETS				
Cash and cash equivalents				
Special Welfare Fund	<u>\$ 60,261</u>	<u>\$ 86,882</u>	<u>\$ (87,209)</u>	<u>\$ 59,934</u>
LIABILITIES				
Amounts held for Social Services clients	<u>\$ 60,261</u>	<u>\$ 86,882</u>	<u>\$ (87,209)</u>	<u>\$ 59,934</u>

DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL
BOARD

MAJOR GOVERNMENTAL FUNDS

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

County of Giles, Virginia
Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2016

	School Operating <u>Fund</u>
ASSETS	
Cash and cash equivalents	\$ 3,672,261
Cash in custody of others	362,020
Due from other governmental units	968,655
Inventories	41,733
Prepaid items	159,598
Total assets	<u>\$ 5,204,267</u>
LIABILITIES	
Accounts payable	\$ 6,566
Accrued payroll	2,166,389
Total liabilities	<u>\$ 2,172,955</u>
FUND BALANCES	
Nonspendable:	
Prepaid items	\$ 159,598
Inventory	41,733
Committed:	2,829,981
Total fund balances	<u>\$ 3,031,312</u>
Total liabilities and fund balances	<u>\$ 5,204,267</u>
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:	
Total fund balances per above	\$ 3,031,312
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Land	\$ 473,652
Construction in progress	78,422
Buildings and improvements	2,749,112
Machinery, equipment, and vehicles	<u>1,352,991</u>
	4,654,177
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	
Deferred inflows related to measurement of net pension liability	(1,653,357)
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.	
	1,708,766
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	
Net OPEB obligation	\$ (487,642)
Compensated absences	(343,433)
Net pension liability	(20,904,120)
Deferred outflows of resources	<u>472,700</u>
	\$ (21,262,495)
Net position of governmental activities	<u>\$ (13,521,597)</u>

County of Giles, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2016

	School Operating Fund
REVENUES	
Revenue from the use of money and property	\$ 344
Charges for services	455,079
Miscellaneous	19,112
Recovered costs	328,823
Intergovernmental:	
Local government	6,621,415
Commonwealth	15,314,466
Federal	2,502,705
Total revenues	<u>\$ 25,241,944</u>
EXPENDITURES	
Current:	
Education	\$ 24,854,281
Total expenditures	<u>\$ 24,854,281</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 387,663</u>
Net change in fund balances	\$ 387,663
Fund balances - beginning	<u>2,643,649</u>
Fund balances - ending	<u><u>\$ 3,031,312</u></u>
Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:	
Net change in fund balances - total governmental funds - per above	\$ 387,663
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	
Capital asset additions	\$ 836,444
Depreciation expense	<u>(646,720)</u>
	189,724
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.	(61,915)
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	1,432,674
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.	
(Increase) decrease in compensated absences	\$ 61,692
(Increase) decrease in net OPEB obligation	(109,984)
Change in net pension liability	(876,405)
Change in deferred outflows related to pension payments subsequent to the measurement date	<u>(190,412)</u>
	(1,115,109)
Change in net position of governmental activities	<u><u>\$ 833,037</u></u>

County of Giles, Virginia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2016

	School Operating Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 150	\$ 150	\$ 344	\$ 194
Charges for services	14,000	14,000	455,079	441,079
Miscellaneous	829,824	829,824	19,112	(810,712)
Recovered costs	93,650	93,650	328,823	235,173
Intergovernmental:				
Local government	5,635,385	5,635,385	6,621,415	986,030
Commonwealth	15,462,360	15,462,360	15,314,466	(147,894)
Federal	2,710,924	2,710,924	2,502,705	(208,219)
Total revenues	<u>\$ 24,746,293</u>	<u>\$ 24,746,293</u>	<u>\$ 25,241,944</u>	<u>\$ 495,651</u>
EXPENDITURES				
Current:				
Education	\$ 24,816,293	\$ 25,084,223	\$ 24,854,281	\$ 229,942
Total expenditures	<u>\$ 24,816,293</u>	<u>\$ 25,084,223</u>	<u>\$ 24,854,281</u>	<u>\$ 229,942</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (70,000)</u>	<u>\$ (337,930)</u>	<u>\$ 387,663</u>	<u>\$ 725,593</u>
Net change in fund balances	\$ (70,000)	\$ (337,930)	\$ 387,663	\$ 725,593
Fund balances - beginning	70,000	337,930	2,643,649	2,305,719
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,031,312</u>	<u>\$ 3,031,312</u>

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

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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 6,371,525	\$ 6,371,525	\$ 6,531,015	\$ 159,490
Real and personal public service corporation taxes	969,423	969,423	871,107	(98,316)
Personal property taxes	2,008,182	2,008,182	2,114,402	106,220
Mobile home taxes	52,109	52,109	42,896	(9,213)
Machinery and tools taxes	3,512,520	3,512,520	3,812,525	300,005
Merchant's capital	180,462	180,462	187,173	6,711
Common carrier	7,280	7,280	10,116	2,836
Penalties	81,000	81,000	94,409	13,409
Interest	44,600	44,600	52,670	8,070
Total general property taxes	<u>\$ 13,227,101</u>	<u>\$ 13,227,101</u>	<u>\$ 13,716,313</u>	<u>\$ 489,212</u>
Other local taxes:				
Local sales and use taxes	\$ 1,290,950	\$ 1,290,950	\$ 1,411,553	\$ 120,603
Consumers' utility taxes	241,257	241,257	240,907	(350)
Consumption taxes	56,019	56,019	53,173	(2,846)
Gross receipts tax	5,028	5,028	9,642	4,614
Motor vehicle licenses	209,122	209,122	209,902	780
Local tax on deeds	68,000	68,000	65,739	(2,261)
Hotel and motel room taxes	91,131	91,131	113,540	22,409
Total other local taxes	<u>\$ 1,961,507</u>	<u>\$ 1,961,507</u>	<u>\$ 2,104,456</u>	<u>\$ 142,949</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 6,500	\$ 6,500	\$ 6,442	\$ (58)
Land use application fees	280	280	1,361	1,081
Transfer fees	562	562	612	50
Variance and rezoning fees	2,935	2,935	7,293	4,358
Building permits	24,000	24,000	29,106	5,106
Other permits and other licenses	424	424	-	(424)
Total permits, privilege fees, and regulatory licenses	<u>\$ 34,701</u>	<u>\$ 34,701</u>	<u>\$ 44,814</u>	<u>\$ 10,113</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 42,092	\$ 42,092	\$ 33,190	\$ (8,902)
Revenue from use of money and property:				
Revenue from use of money	\$ 120,652	\$ 120,652	\$ 73,030	\$ (47,622)
Revenue from use of property	42,340	42,340	48,985	6,645
Total revenue from use of money and property	<u>\$ 162,992</u>	<u>\$ 162,992</u>	<u>\$ 122,015</u>	<u>\$ (40,977)</u>
Charges for services:				
Charges for law enforcement and traffic control	\$ 16,307	\$ 9,803	\$ 8,356	\$ (1,447)
Charges for courthouse maintenance	33,372	33,372	31,415	(1,957)
Charges for processing arrest fee	2,114	2,114	2,023	(91)
Charges for Commonwealth's Attorney	2,677	2,677	3,725	1,048
Charges for nonconsecutive jail and blood test/dna fees	358	358	367	9
Charges for law library	1,694	1,694	1,403	(291)

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

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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Charges for services: (Continued)				
Charges for copies	\$ 5,145	\$ 5,145	\$ 3,296	\$ (1,849)
Charges for courtroom security fee	61,446	61,446	58,377	(3,069)
Charges for PSA billings	50,401	50,401	71,926	21,525
Charges for parks and recreation	251,355	251,355	224,989	(26,366)
Charges for US forest patrols	-	7,350	6,850	(500)
Charges for wellness center fees	172,700	172,700	162,166	(10,534)
Other charges for services	9,654	10,404	12,126	1,722
Total charges for services	\$ 607,223	\$ 608,819	\$ 587,019	\$ (21,800)
Miscellaneous revenue:				
Miscellaneous	\$ 36,993	\$ 36,993	\$ 48,610	\$ 11,617
ACCE Donations	-	-	111,715	111,715
Total miscellaneous revenue	\$ 36,993	\$ 36,993	\$ 160,325	\$ 123,332
Recovered costs:				
School resource officer	\$ 295,188	\$ 295,188	\$ 278,748	\$ (16,440)
Health insurance recoveries	107,502	107,502	122,470	14,968
Health department and Social Services	204,234	204,234	246,000	41,766
DMV license agent reimbursement	31,799	31,799	33,933	2,134
PSA recovered costs	61,000	61,000	50,526	(10,474)
Bicentennial Celebration	20	20	28	8
Other recovered costs	520,087	572,513	1,233,932	661,419
Total recovered costs	\$ 1,219,830	\$ 1,272,256	\$ 1,965,637	\$ 693,381
Total revenue from local sources	\$ 17,292,439	\$ 17,346,461	\$ 18,733,769	\$ 1,387,308
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' tax	\$ 137,663	\$ 137,663	\$ 120,216	\$ (17,447)
Mobile home titling tax	15,800	15,800	18,950	3,150
Animal friendly plates	244	244	305	61
Motor vehicle rental tax	2,464	2,464	2,331	(133)
State recordation tax	46,075	46,075	40,190	(5,885)
Communications sales taxes	252,574	252,574	244,832	(7,742)
Personal property tax relief funds	1,227,860	1,227,860	1,227,860	-
Total noncategorical aid	\$ 1,682,680	\$ 1,682,680	\$ 1,654,684	\$ (27,996)
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 274,850	\$ 274,850	\$ 292,413	\$ 17,563
Sheriff	965,421	965,421	979,864	14,443
Commissioner of revenue	111,074	111,074	113,075	2,001
Treasurer	98,946	98,946	100,717	1,771
Registrar/electoral board	35,155	35,155	41,204	6,049
Clerk of circuit court	221,484	221,484	245,033	23,549
Total shared expenses	\$ 1,706,930	\$ 1,706,930	\$ 1,772,306	\$ 65,376

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

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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Other categorical aid: (Continued)				
Public assistance and welfare administration	\$ 851,937	\$ 851,937	\$ 1,028,823	\$ 176,886
State and Local Foster Care	1,725	1,725	3,906	2,181
Comprehensive Services Act program	460,000	460,000	1,031,284	571,284
Litter control grant	9,589	9,589	9,683	94
Law enforcement block grant	4,170	4,170	-	(4,170)
Juvenile justice	9,243	9,243	9,243	-
Two-for-Life	16,649	33,173	16,524	(16,649)
Asset Forfeiture	-	-	1,180	1,180
Fire programs	33,200	33,200	33,132	(68)
911 wireless grant	39,486	39,486	41,424	1,938
Other categorical aid	-	210,272	192,694	(17,578)
Total other categorical aid	\$ 1,425,999	\$ 1,652,795	\$ 2,367,893	\$ 715,098
Total categorical aid	\$ 3,132,929	\$ 3,359,725	\$ 4,140,199	\$ 780,474
Total revenue from the Commonwealth	\$ 4,815,609	\$ 5,042,405	\$ 5,794,883	\$ 752,478
Revenue from the federal government:				
Non-categorical aid:				
Payments in lieu of taxes	\$ 85,227	\$ 85,227	\$ 91,962	\$ 6,735
Categorical aid:				
Public assistance and welfare administration	\$ 1,277,906	\$ 1,277,906	\$ 1,447,250	\$ 169,344
Comprehensive Services Act program	-	-	84,373	84,373
Tourism enhancement grant	-	-	31,700	31,700
State and community highway safety grants	10,242	10,242	4,920	(5,322)
Forest reserve	-	-	13,038	13,038
Local law enforcement block grants	-	31,932	-	(31,932)
Total categorical aid	\$ 1,288,148	\$ 1,320,080	\$ 1,581,281	\$ 261,201
Total revenue from the federal government	\$ 1,373,375	\$ 1,405,307	\$ 1,673,243	\$ 267,936
Total General Fund	\$ 23,481,423	\$ 23,794,173	\$ 26,201,895	\$ 2,407,722
Capital Projects Fund:				
County Capital Improvements Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 9,490	\$ 9,490
Recovered costs:				
Other recovered costs	\$ -	\$ -	\$ 1,636	\$ 1,636
Total County Capital Improvements Fund	\$ -	\$ -	\$ 11,126	\$ 11,126
Total Primary Government	\$ 23,481,423	\$ 23,794,173	\$ 26,213,021	\$ 2,418,848

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

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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 344	\$ 344
Revenue from the use of property	150	150	-	(150)
Total revenue from use of money and property	<u>\$ 150</u>	<u>\$ 150</u>	<u>\$ 344</u>	<u>\$ 194</u>
Charges for services:				
Charges for education	\$ 7,500	\$ 7,500	\$ 10,217	\$ 2,717
Cafeteria sales	-	-	415,928	415,928
Other charges for services	6,500	6,500	28,934	22,434
Total charges for services	<u>\$ 14,000</u>	<u>\$ 14,000</u>	<u>\$ 455,079</u>	<u>\$ 441,079</u>
Miscellaneous revenue:				
Miscellaneous	\$ 829,824	\$ 829,824	\$ 19,112	\$ (810,712)
Recovered costs:				
Rebates and refunds	\$ 93,650	\$ 93,650	\$ 328,823	\$ 235,173
Total revenue from local sources	<u>\$ 937,624</u>	<u>\$ 937,624</u>	<u>\$ 803,358</u>	<u>\$ (134,266)</u>
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Giles, Virginia	\$ 5,635,385	\$ 5,635,385	\$ 6,621,415	\$ 986,030
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 2,724,677	\$ 2,724,677	\$ 2,729,022	\$ 4,345
Basic school aid	7,743,769	7,743,769	7,596,414	(147,355)
Remedial summer education	28,595	28,595	13,221	(15,374)
Regular foster care	35,940	35,940	3,059	(32,881)
Gifted and talented	81,464	81,464	80,160	(1,304)
Remedial education	246,125	246,125	242,185	(3,940)
School food	17,115	17,115	15,392	(1,723)
Special education	1,219,683	1,219,683	1,188,754	(30,929)
Textbook payment	166,776	166,776	164,106	(2,670)
Vocational education - occupational/technology	2,600	2,600	51,568	48,968
Vocational standards of quality payments	353,588	353,588	347,928	(5,660)
Vocational adult education	71,911	71,911	24,160	(47,751)
Social security fringe benefits	504,383	504,383	496,309	(8,074)
Retirement fringe benefits	1,133,367	1,133,367	982,385	(150,982)
Group life fringe benefits	31,199	31,199	30,700	(499)
Early reading intervention	67,850	67,850	67,850	-
Homebound education	-	-	15,247	15,247
Virginia preschool initiative	98,435	98,435	98,435	-
Primary class size	280,960	280,960	276,184	(4,776)
Technology	-	-	3,139	3,139
Standards of Learning algebra readiness	33,678	33,678	34,721	1,043

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

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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Vocational education - equipment	\$ 4,500	\$ 4,500	\$ 5,000	\$ 500
E-rate	60,000	60,000	129,829	69,829
Special education - foster children	-	-	40,969	40,969
At risk payments	200,199	200,199	196,921	(3,278)
GED prep program	7,859	7,859	7,859	-
English as a second language	-	-	3,100	3,100
VPSA technology grants	180,000	180,000	203,024	23,024
Supplemental support	138,542	138,542	136,314	(2,228)
Other state funds	29,145	29,145	130,511	101,366
Total categorical aid	<u>\$ 15,462,360</u>	<u>\$ 15,462,360</u>	<u>\$ 15,314,466</u>	<u>\$ (147,894)</u>
Total revenue from the Commonwealth	<u>\$ 15,462,360</u>	<u>\$ 15,462,360</u>	<u>\$ 15,314,466</u>	<u>\$ (147,894)</u>
Revenue from the federal government:				
Categorical aid:				
Literacy challenge grant	\$ 8,000	\$ 8,000	\$ -	\$ (8,000)
Title I	459,536	459,536	453,442	(6,094)
Title VI-B, special education flow-through	504,524	504,524	595,343	90,819
Preschool expansion grant	573,196	573,196	508,501	(64,695)
Vocational education	36,294	36,294	36,358	64
Summer food service program	-	-	12,961	12,961
Title II	123,000	123,000	100,743	(22,257)
Special Education - preschool	14,374	14,374	14,279	(95)
National school lunch program	992,000	992,000	556,045	(435,955)
School breakfast program	-	-	155,590	155,590
Forest reserve payments	-	-	69,443	69,443
Total categorical aid	<u>\$ 2,710,924</u>	<u>\$ 2,710,924</u>	<u>\$ 2,502,705</u>	<u>\$ (208,219)</u>
Total revenue from the federal government	<u>\$ 2,710,924</u>	<u>\$ 2,710,924</u>	<u>\$ 2,502,705</u>	<u>\$ (208,219)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 24,746,293</u>	<u>\$ 24,746,293</u>	<u>\$ 25,241,944</u>	<u>\$ 495,651</u>

County of Giles, Virginia
Schedule of Expenditures - Budget and Actual
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 131,156	\$ 131,819	\$ 128,429	\$ 3,390
General and financial administration:				
County administrator	\$ 445,395	\$ 555,348	\$ 554,351	\$ 997
Legal services	50,000	73,418	72,019	1,399
Commissioner of revenue	318,488	333,327	332,144	1,183
Assessor	300,000	-	-	-
Treasurer	566,307	567,555	508,633	58,922
PSA billing and collection	-	34,494	21,187	13,307
Department of motor vehicles	-	16,267	15,062	1,205
Total general and financial administration	\$ 1,680,190	\$ 1,580,409	\$ 1,503,396	\$ 77,013
Board of elections:				
Registrar	\$ 151,473	\$ 330,862	\$ 330,848	\$ 14
Total general government administration	\$ 1,962,819	\$ 2,043,090	\$ 1,962,673	\$ 80,417
Judicial administration:				
Courts:				
Circuit court	\$ 20,304	\$ 11,854	\$ 11,194	\$ 660
General district court	6,295	6,395	5,696	699
Magistrate	-	200	-	200
Juvenile and domestic court	23,802	15,250	10,110	5,140
Clerk of the circuit court	358,477	379,288	378,288	1,000
Law library	4,000	3,200	2,552	648
Total courts	\$ 412,878	\$ 416,187	\$ 407,840	\$ 8,347
Commonwealth's attorney:				
Commonwealth's attorney	\$ 360,584	\$ 377,377	\$ 377,118	\$ 259
Total judicial administration	\$ 773,462	\$ 793,564	\$ 784,958	\$ 8,606
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 1,901,987	\$ 2,159,014	\$ 2,059,335	\$ 99,679
Criminal justice training	20,400	19,500	-	19,500
Total law enforcement and traffic control	\$ 1,922,387	\$ 2,178,514	\$ 2,059,335	\$ 119,179
Fire and rescue services:				
Fire and rescue	\$ 167,185	\$ 217,166	\$ 217,166	\$ -
GIS system development	112,175	107,764	106,765	999
Ambulance service	313,292	294,922	294,922	-
Total fire and rescue services	\$ 592,652	\$ 619,852	\$ 618,853	\$ 999
Correction and detention:				
New River Valley Regional Jail	\$ 953,028	\$ 1,055,578	\$ 1,055,040	\$ 538
NRV juvenile detention	130,713	128,142	128,142	-
Total correction and detention	\$ 1,083,741	\$ 1,183,720	\$ 1,183,182	\$ 538

County of Giles, Virginia
Schedule of Expenditures - Budget and Actual
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public Safety: (Continued)				
Inspections:				
Building official	\$ 130,038	\$ 130,040	\$ 126,922	\$ 3,118
Other protection:				
Animal control	\$ 94,463	\$ 133,998	\$ 127,212	\$ 6,786
Medical examiner	500	500	280	220
Emergency services	72,628	72,628	98	72,530
Inmate work program	51,735	179,201	170,052	9,149
Haz-mat services	4,092	4,092	3,624	468
School Resource Officer	282,653	339,685	328,665	11,020
US forest service	6,862	11,168	3,552	7,616
Law enforcement grants	-	1,415	1,415	-
Total other protection	\$ 512,933	\$ 742,687	\$ 634,898	\$ 107,789
Total public safety	\$ 4,241,751	\$ 4,854,813	\$ 4,623,190	\$ 231,623
Public works:				
Sanitation and waste removal:				
Landfill monitoring	\$ 74,900	\$ 44,590	\$ 42,180	\$ 2,410
Weed control	3,000	3,000	3,000	-
Total sanitation and waste removal	\$ 77,900	\$ 47,590	\$ 45,180	\$ 2,410
Maintenance of general buildings and grounds:				
General properties	\$ 627,303	\$ 823,813	\$ 764,397	\$ 59,416
Total public works	\$ 705,353	\$ 871,553	\$ 809,577	\$ 61,976
Health and welfare:				
Health:				
Supplement of local health department	\$ 123,500	\$ 127,428	\$ 127,428	\$ -
Mental health and mental retardation:				
Community services board	\$ 118,347	\$ 52,994	\$ 52,992	\$ 2
Welfare:				
Comprehensive services	\$ 1,028,025	\$ 1,538,025	\$ 1,713,941	\$ (175,916)
Welfare administration and public assistance	2,467,989	2,795,989	2,863,810	(67,821)
Fairview home	-	18,316	18,316	-
NRVSS nutrition program	-	5,900	5,192	708
NRV disability services board	-	1,818	-	1,818
New River community action	-	15,082	15,082	-
Women's resource center	-	5,574	5,574	-
Free clinic of the NRV, Inc.	-	8,000	8,000	-
Area agency on aging	-	8,075	8,075	-
Senior center	76,128	85,551	82,634	2,917
Literacy volunteers of America	-	550	550	-
NRV cares	-	250	250	-
Total welfare	\$ 3,573,542	\$ 4,483,130	\$ 4,721,424	\$ (238,294)
Total health and welfare	\$ 3,815,389	\$ 4,663,552	\$ 4,901,844	\$ (238,292)

County of Giles, Virginia
Schedule of Expenditures - Budget and Actual
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Education:				
Educational costs:				
Contributions to Community College	\$ -	\$ 8,715	\$ 8,715	\$ -
Contribution to County School Board	5,635,385	5,635,385	6,621,415	(986,030)
School Transfer Employees	860,356	1,225,785	1,223,784	2,001
Total education	<u>\$ 6,495,741</u>	<u>\$ 6,869,885</u>	<u>\$ 7,853,914</u>	<u>\$ (984,029)</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Swimming pool	\$ 730	\$ 937	\$ 837	\$ 100
Golf course	176,121	192,845	190,510	2,335
Castle Rock operations	78,557	158,771	155,089	3,682
Wellness center	174,054	214,047	212,161	1,886
Boat ramp	-	17,860	17,860	-
Other recreation and cultural enrichment	76,793	89,103	88,103	1,000
Total parks and recreation	<u>\$ 506,255</u>	<u>\$ 673,563</u>	<u>\$ 664,560</u>	<u>\$ 9,003</u>
Library:				
Contribution to county library	<u>\$ 29,250</u>	<u>\$ 29,250</u>	<u>\$ 29,250</u>	<u>\$ -</u>
Total parks, recreation, and cultural	<u>\$ 535,505</u>	<u>\$ 702,813</u>	<u>\$ 693,810</u>	<u>\$ 9,003</u>
Community development:				
Planning and community development:				
County planner	\$ 81,430	\$ 86,571	\$ 85,481	\$ 1,090
Planning commission	20,026	16,726	15,189	1,537
Contribution to IDA	356,596	-	899,990	(899,990)
Zoning Board	538	538	65	473
Tourism	91,131	124,884	108,223	16,661
Other community development	198,809	139,316	138,349	967
Total planning and community development	<u>\$ 748,530</u>	<u>\$ 368,035</u>	<u>\$ 1,247,297</u>	<u>\$ (879,262)</u>
Environmental management:				
Contributions to soil and water districts	<u>\$ 9,100</u>	<u>\$ 8,400</u>	<u>\$ 8,400</u>	<u>\$ -</u>
Cooperative extension program:				
Extension office	<u>\$ 67,581</u>	<u>\$ 72,880</u>	<u>\$ 67,880</u>	<u>\$ 5,000</u>
Total community development	<u>\$ 825,211</u>	<u>\$ 449,315</u>	<u>\$ 1,323,577</u>	<u>\$ (874,262)</u>
Nondepartmental:				
Fringe benefits and fuel charges	<u>\$ 1,153,703</u>	<u>\$ 877,301</u>	<u>\$ 563,217</u>	<u>\$ 314,084</u>
Debt service:				
Principal retirement	\$ 1,097,580	\$ 1,097,580	\$ 1,050,915	\$ 46,665
Interest and other fiscal charges	253,920	253,920	243,124	10,796
Total debt service	<u>\$ 1,351,500</u>	<u>\$ 1,351,500</u>	<u>\$ 1,294,039</u>	<u>\$ 57,461</u>
Total General Fund	<u>\$ 21,860,434</u>	<u>\$ 23,477,386</u>	<u>\$ 24,810,799</u>	<u>\$ (1,333,413)</u>

County of Giles, Virginia
Schedule of Expenditures - Budget and Actual
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Capital Projects Fund:				
County Capital Improvements Fund:				
General and financial administration:				
Information Technology	\$ -	\$ 35,163	\$ 35,163	\$ -
Total general and financial administration	\$ -	\$ 35,163	\$ 35,163	\$ -
Public Works:				
Telephone system	\$ -	\$ 93,104	\$ 93,103	\$ 1
Public safety building	3,700,000	3,700,000	450,817	3,249,183
Total Public Works	\$ 3,700,000	\$ 3,793,104	\$ 543,920	\$ 3,249,184
Community development:				
Planning and community development:				
Bluff City Landing	\$ -	\$ 85,897	\$ 85,897	\$ -
Whitt River Bend Park Landing	-	106,503	106,503	-
VDOT Sharing Project	100,000	103,272	15,649	87,623
Modular Classrooms	-	-	203,141	(203,141)
Total community development	\$ 100,000	\$ 295,672	\$ 411,190	\$ (115,518)
Debt service:				
Principal retirement	\$ 1,441,491	\$ 1,214,949	\$ 862,484	\$ 352,465
Interest and other fiscal charges	-	800	762,309	(761,509)
Total debt service	\$ 1,441,491	\$ 1,215,749	\$ 1,624,793	\$ (409,044)
Total County Capital Improvements Fund	\$ 5,241,491	\$ 5,339,688	\$ 2,615,066	\$ 2,724,622
Total Primary Government	\$ 27,101,925	\$ 28,817,074	\$ 27,425,865	\$ 1,391,209
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Education:				
Instruction costs:				
Instruction costs	\$ 17,643,929	\$ 17,643,929	\$ 17,317,360	\$ 326,569
Operating costs:				
Attendance and health services	\$ 951,955	\$ 951,955	\$ 1,228,155	\$ (276,200)
Pupil transportation	1,181,585	1,181,585	1,413,594	(232,009)
Operation and maintenance of school plant	1,354,646	1,601,611	2,446,726	(845,115)
Facilities	400,000	400,000	23,562	376,438
Technology	1,276,246	1,276,246	1,242,336	33,910
Total operating costs	\$ 5,164,432	\$ 5,411,397	\$ 6,354,373	\$ (942,976)
School food services:				
Administration of school food program	\$ 2,007,932	\$ 2,028,897	\$ 1,182,548	\$ 846,349
Total Discretely Presented Component Unit - School Board	\$ 24,816,293	\$ 25,084,223	\$ 24,854,281	\$ 229,942

Table 1

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Development (1)	Non-departmental	Interest on Long-Term Debt	Water Department	Total
2015-16	\$ 1,441,831	\$ 797,006	\$ 4,007,034	\$ 1,319,630	\$ 4,795,609	\$ 8,788,324	\$ 528,821	\$ 1,816,107	\$ -	\$ 927,185	\$ 1,649,943	\$ 26,071,490
2014-15	1,515,689	775,707	4,492,726	913,182	4,327,725	8,451,877	616,476	1,068,553	-	924,761	1,648,454	24,735,150
2013-14	1,697,198	810,317	4,662,815	897,488	4,107,908	7,837,326	742,703	933,299	-	961,132	1,737,460	24,387,646
2012-13	1,040,876	704,273	5,055,111	595,826	3,742,017	7,869,352	741,059	803,350	-	1,338,211	1,791,446	23,681,521
2011-12	1,465,212	749,059	3,858,811	433,301	3,815,866	6,418,750	764,944	427,820	-	1,109,865	1,633,876	20,677,504
2010-11	1,612,399	456,903	3,937,646	382,840	3,467,252	6,117,468	1,072,522	346,131	-	1,217,615	1,543,650	20,154,426
2009-10	1,557,685	705,573	3,764,801	438,175	3,069,055	6,222,250	861,434	5,036,422	-	1,261,108	1,530,169	24,446,672
2008-09	1,602,292	703,829	3,856,862	476,772	3,058,974	5,765,131	839,706	323,454	-	834,439	1,595,807	19,057,266
2007-08	1,534,269	672,928	3,584,867	549,638	2,874,710	6,903,898	813,781	1,571,574	-	807,477	1,137,390	20,450,532
2006-07	1,308,071	592,293	3,556,881	966,677	2,622,010	5,671,104	896,860	343,283	-	862,168	1,065,923	17,885,270

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

Table 2

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

Fiscal Year	PROGRAM REVENUES				GENERAL REVENUES									
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Unrestricted Investment Earnings	Miscellaneous	Contributions Not Restricted to Specific Programs	Grants and Contributions	Gain on Sale of Assets	Total
2015-16	\$ 1,282,060	\$ 5,559,330	\$ 162,150		\$ 13,738,261	\$ 2,104,456	\$ -	\$ -	\$ 132,912	\$ 160,325	\$ 1,746,646	\$ -	\$ -	\$ 24,886,140
2014-15	1,318,822	5,047,053	50,000		12,826,895	2,154,391	-	-	161,700	38,211	1,823,014	-	-	23,420,086
2013-14	1,231,925	5,001,133	54,727		12,476,520	1,956,894	-	-	170,803	43,716	1,767,544	-	-	22,703,262
2012-13	1,207,568	4,493,402	113,826		12,073,980	1,919,216	-	-	237,267	47,256	1,875,527	14,027	-	21,982,069
2011-12	1,326,038	4,539,944	170,824		11,877,251	1,746,202	-	-	275,397	24,655	1,695,160	-	-	21,655,471
2010-11	1,158,123	4,203,780	873,251		11,722,260	1,749,017	-	-	266,669	462,209	1,689,126	-	-	22,124,435
2009-10	1,186,168	4,285,122	496,558		11,187,893	1,664,585	-	-	317,919	35,136	1,585,229	-	-	20,758,610
2008-09	1,285,528	4,388,647	221,660		11,050,675	1,912,001	-	-	372,250	994,633	1,585,670	-	-	21,811,064
2007-08	1,052,921	4,295,126	1,848,937		10,606,003	2,044,328	-	-	308,607	37,991	1,478,463	-	-	21,672,376
2006-07	981,279	4,884,180	51,714		10,266,359	1,723,520	-	-	286,779	20,244	1,664,325	-	-	19,878,400

Table 3

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education (2)	Parks, Recreation, and Cultural	Community Development (3)	Non-departmental	Debt Service	Total
2015-16	\$ 1,997,836	\$ 784,958	\$ 4,623,190	\$ 1,353,497	\$ 4,901,844	\$ 26,086,780	\$ 693,810	\$ 1,734,767	\$ 563,217	\$ 2,918,832	\$ 45,658,731
2014-15	1,973,055	765,051	4,974,892	958,047	4,328,086	24,349,938	662,203	965,433	571,052	2,872,775	42,420,532
2013-14	1,715,246	751,023	4,859,461	764,931	4,183,873	24,392,929	736,620	847,845	678,231	2,656,697	41,586,856
2012-13 (5)	1,412,456	752,773	5,562,669	599,672	3,851,966	23,806,787	704,999	721,978	880,871	2,620,748	40,914,919
2011-12	1,489,763	706,626	4,011,209	421,212	3,865,490	22,398,858	743,801	344,123	743,593	2,912,690	37,637,365
2010-11 (4)	1,436,110	726,488	4,153,468	420,421	3,517,234	21,974,561	744,911	262,884	696,032	2,214,272	36,146,381
2009-10	1,520,756	702,042	3,833,304	559,201	3,269,547	24,034,314	818,511	4,961,680	406,302	2,749,942	42,855,599
2008-09	1,597,862	695,441	3,849,643	441,893	3,058,680	24,734,563	795,081	257,520	352,012	2,053,898	37,836,593
2007-08	1,606,123	663,594	3,573,864	488,472	2,869,119	23,755,018	790,006	1,254,203	59,637	1,999,896	37,059,932
2006-07	1,331,494	637,024	3,797,384	971,197	2,611,276	22,508,015	872,465	288,154	17,751	2,528,409	35,563,169

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

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

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

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

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

Table 4

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

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property				Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental (2)	Total
2015-16	\$ 13,716,313	\$ 2,104,456	\$ 44,814	\$ 33,190	\$ 131,849	\$ 1,042,098	\$ 179,437	\$ 2,296,096	\$ 25,285,297	\$ 44,833,550			
2014-15	12,739,163	2,154,391	93,856	37,418	159,778	985,066	168,929	1,530,109	24,203,838	42,072,548			
2013-14	12,485,742	1,956,894	31,809	62,616	167,140	1,039,479	103,345	1,326,136	23,700,159	40,873,320			
2012-13	12,105,056	1,919,216	50,540	105,492	236,113	1,059,533	93,685	1,529,023	23,403,966	40,502,624			
2011-12	11,857,303	1,746,202	42,986	31,194	275,735	1,150,905	123,361	1,174,262	23,110,381	39,512,329			
2010-11	11,807,023	1,749,017	26,963	26,837	267,339	1,170,525	655,374	1,147,560	23,095,492	39,946,130			
2009-10	11,041,741	1,664,585	31,477	29,833	333,007	1,241,049	119,031	1,102,753	24,099,204	39,662,680			
2008-09	11,102,097	1,912,001	76,669	20,192	339,722	1,331,462	1,444,646	433,831	24,797,393	41,458,013			
2007-08	10,697,086	2,044,328	45,065	24,264	308,607	1,189,193	121,344	391,456	23,060,256	37,881,599			
2006-07	10,189,093	1,723,520	54,433	28,553	287,670	1,232,174	227,636	177,498	23,980,577	37,901,154			

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

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

Table 5

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

Fiscal Year	Total Tax Levy (1,2)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1,2)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1,3)	Percent of Delinquent Taxes to Tax Levy
2015-16	\$ 14,755,944	\$ 14,342,221	97.20%	\$ 454,873	14,797,094	100.28%	\$ 897,336	6.08%
2014-15	13,844,229	13,312,457	96.16%	518,680	13,831,137	99.91%	859,505	6.21%
2013-14	13,579,232	13,079,642	96.32%	497,647	13,577,289	99.99%	816,733	6.01%
2012-13	13,140,195	12,479,020	94.97%	714,599	13,193,619	100.41%	763,561	5.81%
2011-12	12,934,608	12,404,021	95.90%	946,344	13,350,365	103.21%	835,655	6.46%
2010-11	12,821,899	12,387,707	96.61%	467,536	12,855,243	100.26%	867,642	6.77%
2009-10	12,233,089	11,860,088	96.95%	257,289	12,117,377	99.05%	907,800	7.42%
2008-09	12,204,375	11,999,984	98.33%	179,820	12,179,804	99.80%	780,033	6.39%
2007-08	11,849,315	11,598,742	97.89%	183,512	11,782,254	99.43%	846,963	7.15%
2006-07	11,390,695	11,030,334	96.84%	254,477	11,284,811	99.07%	713,456	6.26%

(1) Exclusive of penalties and interest.

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

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

Table 6

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

Fiscal Year	Real Estate (1)	Personal Property and Mobile Homes (1)	Machinery and Tools	Public Utilities (2)	Merchants Capital	Common Carrier	Total
2015-16	\$ 1,057,108,100	\$ 179,900,764	\$ 359,672,173	\$ 141,544,743	\$ 23,023,871	\$ 954,318	\$ 1,762,203,969
2014-15	1,066,615,300	178,489,346	330,568,526	158,033,441	22,361,237	607,475	1,756,675,325
2013-14	1,074,270,400	177,245,568	331,472,131	177,534,468	21,314,565	661,782	1,782,498,914
2012-13	1,067,749,700	172,917,073	310,297,932	179,625,302	20,571,130	703,448	1,751,864,585
2011-12	1,059,889,900	163,705,613	310,267,438	171,001,017	19,974,892	1,638,533	1,726,477,393
2010-11	1,056,729,200	161,035,270	304,393,326	187,241,026	19,526,928	3,014,800	1,731,940,550
2009-10	1,052,823,700	149,667,307	297,610,968	179,729,561	20,849,657	-	1,700,681,193
2008-09	1,049,284,251	165,541,200	279,614,150	132,446,151	22,641,189	-	1,649,526,941
2007-08	1,026,272,400	160,653,821	266,799,376	136,065,449	20,388,269	-	1,610,179,315
2006-07	1,017,262,300	161,819,004	245,025,208	132,978,340	19,756,981	-	1,576,841,833

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

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

Table 7

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

Fiscal Year	Real Estate (2)	Personal Property	Machinery and Tools	Merchant's Capital	Common Carrier
2015-16	\$ 0.61	\$ 1.96	\$ 1.06	\$ 0.81	\$ 1.01
2014-15	0.61	1.91	1.01	0.81	1.01
2013-14	0.54/0.56	1.91	1.01	0.81	1.01
2012-13	0.54	1.91	1.01	0.81	1.01
2011-12	0.54	1.91	1.01	0.81	1.01
2010-11	0.54	1.91	1.01	0.81	1.01
2009-10	0.52/0.54	1.89	0.99	0.79	-
2008-09	0.52	1.89	0.99	0.79	-
2007-08	0.63	1.89	0.99	0.79	-
2006-07	0.63	1.85	0.95	0.75	-

(1) Per \$100 of assessed value.

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

Table 8

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

Fiscal Year	Population (1)	Assessed Value (in thousands) (2)	Gross and Net Bonded Debt (3)	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2015-16	17,286	\$ 1,762,204	\$ 21,475,282	1.22%	\$ 1,242
2014-15	17,286	1,756,675	23,368,877	1.33%	\$ 1,352
2013-14	17,286	1,782,499	25,151,143	1.41%	1,455
2012-13	17,286	1,751,865	25,183,752	1.44%	1,457
2011-12	17,286	1,726,477	26,182,991	1.52%	1,515
2010-11	17,286	1,731,941	27,931,389	1.61%	1,616
2009-10	16,657	1,700,681	29,073,317	1.71%	1,745
2008-09	16,657	1,649,527	16,791,312	1.02%	1,008
2007-08	16,657	1,610,179	14,694,109	0.91%	882
2006-07	16,657	1,576,842	15,782,580	1.00%	948
2005-06	16,657	1,383,291	17,031,551	1.23%	1,022
2004-05	16,657	1,118,709	16,592,150	1.48%	996

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

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

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

Table 9

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

Fiscal Year	Principal (2)	Interest	Total Debt Service	Total General Governmental Expenditures (1)	Ratio of Debt Service to General Governmental Expenditures
2015-16	\$ 1,913,399	\$ 1,005,433	\$ 2,918,832	\$ 45,658,731	6.39%
2014-15	1,825,247	1,047,528	2,872,775	42,420,532	6.77%
2013-14	1,594,104	1,028,392	2,622,496	41,586,856	6.31%
2012-13	1,299,525	1,321,223	2,620,748	40,914,919	6.41%
2011-12	1,772,087	1,140,873	2,912,960	37,637,365	7.74%
2010-11	1,255,070	959,202	2,214,272	36,146,381	6.13%
2009-10	1,381,345	1,368,597	2,749,942	42,855,599	6.42%
2008-09	1,215,308	838,590	2,053,898	37,836,593	5.43%
2007-08	1,189,703	810,193	1,999,896	37,059,932	5.40%
2006-07	1,544,893	911,100	2,455,993	35,563,169	6.91%

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

(2) See Table 3 for excluded refunding amounts.

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Giles, Virginia as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County of Giles, Virginia's basic financial statements and have issued our report thereon dated November 29, 2016.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Giles, Virginia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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, Turner, & Associates

Blacksburg, Virginia
November 29, 2016

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report on Compliance For Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

We have audited the County of Giles, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County of Giles, Virginia's major federal programs for the year ended June 30, 2016. County of Giles, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the County of Giles, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County of Giles, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the County of Giles, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

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

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

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

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

Robinson, Turner, & Associates

Blacksburg, Virginia
November 29, 2016

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

Federal Grantor/ State Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures	
DEPARTMENT OF AGRICULTURE:				
Pass Through Payments:				
Child Nutrition Cluster:				
State Department of Agriculture:				
Food Distribution-Schools (Note 3)	10.555	Not available	\$ 75,474	
Department of Education:				
National School Lunch Program	10.555	40623, 40254	479,293	\$ 554,767
National School Lunch Program Subtotal				
School Breakfast Program	10.553	40591, 40253		138,644
Summer Food Service Program for Children	10.559	Not applicable		31,185
				\$ 724,596
Department of Social Services:				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010115,0010116, 0040115,0040116		168,690
Department of Education:				
Schools and Roads - Grants to States	10.665	43841		82,481
Total Department of Agriculture				\$ 975,767
DEPARTMENT OF HEALTH AND HUMAN SERVICES:				
Pass Through Payments:				
Department of Social Services:				
Promoting Safe and Stable Families	93.556	0950114, 0950115		\$ 14,879
Temporary Assistance for Needy Families	93.558	0400115,0400116		174,423
Refugee and Entrant Assistance - State Administered Programs	93.566	0500115,0500116		197
Low-Income Home Energy Assistance	93.568	0600415,0600416		20,273
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760115,0760116		30,289
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900115,0900116		949
Foster Care - Title IV-E	93.658	1100115,1100116		230,098
Chafee Education and Training Vouchers Program (ETV)	93.599	9160114, 9160115		807
Adoption Assistance	93.659	1120115,1120116		428,822
Social Services Block Grant	93.667	1000115,1000116		239,343
Chafee Foster Care Independence Program	93.674	9150115,9150116		2,000
Children's Health Insurance Program	93.767	0540115,0540116		7,000
Medical Assistance Program	93.778	1200115,1200116		213,853
Total Department of Health and Human Services				\$ 1,362,933
DEPARTMENT OF EDUCATION:				
Pass Through Payments:				
Department of Education:				
Title I Grants to Local Educational Agencies	84.010	42901		\$ 453,442
Special Education Cluster (IDEA):				
Special Education-Grants to States	84.027	43071	\$ 595,343	
Special Education-Preschool Grants	84.173	62521	14,279	609,622
Career and Technical Education: Basic Grants to States	84.048	61095, 61159		36,358
Supporting Effective Instruction State Grant (formerly Improving Teacher Quality State Grants)	84.367	61480		100,743
Preschool Expansion Grants	84.419	62521		508,501
Total Department of Education				\$ 1,708,666
DEPARTMENT OF TRANSPORTATION:				
Pass Through Payments:				
Department of Motor Vehicles:				
State and Community Highway Safety	20.600	SC-2015-55203-5942		\$ 4,920
APPALACHIAN REGIONAL COMMISSION:				
Direct Payments:				
Appalachian Area Development	23.002	Not applicable		\$ 31,700
Total Expenditures of Federal Awards				\$ 4,083,986

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

Notes to Schedule of Expenditures of Federal Awards:

Note 1 -- Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of County of Giles, Virginia under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of County of Giles, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of County of Giles, Virginia.

Note 2 -- Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

Note 3 -- Food Distribution

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2016, Giles County, Virginia had food commodities totaling \$41,733 in inventory.

Note 4 -- Relationship to the Financial Statements:

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund

Less: Payments in lieu of taxes

\$	1,673,243
	<u>(91,962)</u>

Total primary government

\$	<u>1,581,281</u>
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Component Units:

School Board

\$	<u>2,502,705</u>
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Total Federal Expenditures per Basic Financial Statements

\$	<u>4,083,986</u>
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Federal expenditures per the Schedule of Expenditures of Federal Awards

\$	<u><u>4,083,986</u></u>
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County of Giles, Virginia

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

Section I - Summary of Auditors' Results

Financial Statements

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

Federal Awards

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

Identification of major programs:

CFDA #	Name of Federal Program or Cluster
10.553/10.555/10.559	Child Nutrition Cluster
84.010	Title I Grants to Local Educational Agencies
84.027/84.173	Special Education Cluster (IDEA)
84.419	Preschool Expansion Grants

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

County of Giles, Virginia

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

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

Section IV - Status of Prior Audit Findings and Questioned Costs

No federal findings or questioned costs in prior year.