

COUNTY OF GILES, VIRGINIA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

COUNTY OF GILES, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2017

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INTRODUCTORY SECTION

COUNTY OF GILES, VIRGINIA

BOARD OF SUPERVISORS

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

COUNTY SCHOOL BOARD

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

SOCIAL SERVICES BOARD

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

OTHER OFFICIALS

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

FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Giles, Virginia, as of and for the year ended June 30, 2017, 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, 2017, 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 2017, the County adopted new accounting guidance, 77 Tax Abatement Disclosures. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and schedules related to pension and OPEB funding on pages 75 and 76-82 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* 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 section and other statistical information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2017, 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.

Polina, Fane, Cox Associates

Blacksburg, Virginia
November 30, 2017

Basic Financial Statements

County of Giles, Virginia
Statement of Net Position
June 30, 2017

	Primary Government			Component Unit	Component Unit
	Governmental Activities	Business-type Activities	Total	School Board	IDA
ASSETS					
Cash and cash equivalents	\$ 4,041,778	\$ 99	\$ 4,041,877	\$ 2,499,987	\$ -
Cash in custody of others	-	-	-	425,782	-
Receivables (net of allowance for uncollectibles):					
Taxes receivable	3,824,236	-	3,824,236	-	-
Accounts receivable	99,661	123,142	222,803	10,479	-
Due from other governmental units	1,240,098	-	1,240,098	737,017	-
Inventories (Commodities)	-	-	-	42,647	-
Prepaid items	-	-	-	160,837	-
Restricted assets:					
Cash and cash equivalents (in custody of others)	1,450,785	-	1,450,785	-	-
Notes receivable	-	-	-	-	609,158
Inventories (Land and buildings held for resale)	-	-	-	-	1,689,349
Capital assets (net of accumulated depreciation):					
Land	530,530	13,000	543,530	473,652	607,801
Buildings and improvements	16,301,168	-	16,301,168	2,567,502	7,503,821
Machinery and equipment	1,055,833	208,762	1,264,595	1,445,801	-
Infrastructure	-	11,720,170	11,720,170	-	-
Construction in progress	3,671,570	79,983	3,751,553	-	-
Total assets	\$ 32,215,659	\$ 12,145,156	\$ 44,360,815	\$ 8,363,704	\$ 10,410,129
DEFERRED OUTFLOWS OF RESOURCES					
Pension contributions subsequent to measurement date	\$ 604,421	\$ 30,161	\$ 634,582	\$ 1,787,143	\$ 10,340
Items related to measurement of net pension liability	942,213	71,493	1,013,706	1,692,967	24,698
Total deferred outflows of resources	\$ 1,546,634	\$ 101,654	\$ 1,648,288	\$ 3,480,110	\$ 35,038
LIABILITIES					
Accounts payable	\$ 1,184,748	\$ 20,646	\$ 1,205,394	\$ 14,873	\$ 171
Retainage payable	80,432	-	80,432	-	-
Accrued payroll	-	-	-	2,198,669	-
Customers' deposits	-	30,100	30,100	-	-
Accrued interest payable	150,197	68,308	218,505	-	5,081
Long-term liabilities:					
Due within one year	2,264,729	135,325	2,400,054	240,688	194,030
Due in more than one year	25,141,361	8,121,627	33,262,988	23,903,327	5,611,512
Total liabilities	\$ 28,821,467	\$ 8,376,006	\$ 37,197,473	\$ 26,357,557	\$ 5,810,794
DEFERRED INFLOWS OF RESOURCES					
Deferred revenue - property taxes	\$ 3,735,083	\$ -	\$ 3,735,083	\$ -	\$ -
Items related to measurement of net pension liability	-	9,098	9,098	894,583	-
Deferred amount on refunding	-	45,171	45,171	-	3,523
Total deferred inflows of resources	\$ 3,735,083	\$ 54,269	\$ 3,789,352	\$ 894,583	\$ 3,523
NET POSITION					
Net investment in capital assets	\$ (441,003)	\$ 4,174,324	\$ 3,733,321	\$ 4,486,955	\$ 2,375,924
Unrestricted	1,646,746	(357,789)	1,288,957	(19,895,281)	2,254,926
Total Net Position	\$ 1,205,743	\$ 3,816,535	\$ 5,022,278	\$ (15,408,326)	\$ 4,630,850

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, 2017

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		
			Operating Grants and Contributions	Capital Grants and Contributions		Governmental Activities	Business-type Activities	Component Units
PRIMARY GOVERNMENT:								
Governmental activities:								
General government administration	\$ 1,951,788	\$ 60,768	\$ 248,789	\$ -	\$ -	\$ (1,642,231)	\$ (1,642,231)	
Judicial administration	974,122	17,880	635,742	-	-	(320,500)	(320,500)	
Public safety	4,964,595	125,384	1,160,366	-	-	(3,678,845)	(3,678,845)	
Public works	623,864	33,070	9,378	-	-	(581,416)	(581,416)	
Health and welfare	5,461,798	-	4,207,574	-	-	(1,254,224)	(1,254,224)	
Education	7,225,328	-	-	-	-	(7,225,328)	(7,225,328)	
Parks, recreation, and cultural	671,035	376,813	-	-	-	(294,222)	(294,222)	
Community development	1,928,771	8,638	80,262	-	-	(1,839,871)	(1,839,871)	
Interest on long-term debt	743,619	-	-	-	-	(743,619)	(743,619)	
Total governmental activities	\$ 24,544,920	\$ 622,553	\$ 6,342,111	\$ -	\$ -	\$ (17,580,256)	\$ (17,580,256)	
Business-type activities:								
Water department	\$ 1,561,238	\$ 683,211	\$ -	\$ -	\$ -	\$ (878,027)	\$ (878,027)	
Total primary government	\$ 26,106,158	\$ 1,305,764	\$ 6,342,111	\$ -	\$ -	\$ (17,580,256)	\$ (18,458,283)	\$ -
COMPONENT UNITS:								
School Board	\$ 25,742,602	\$ 578,663	\$ 17,747,276	\$ -	\$ -		\$ (7,416,663)	\$ (7,416,663)
Industrial Development Authority (IDA)	2,244,601	368,590	-	80,521	-		-	(1,795,490)
Total component units	\$ 27,987,203	\$ 947,253	\$ 17,747,276	\$ 80,521	\$ -	\$ -	\$ (7,416,663)	\$ (1,795,490)
General revenues:								
General property taxes						\$ 14,956,758	\$ -	\$ -
Other local taxes:								
Local Sales and use taxes						1,288,101	-	-
Consumers' utility taxes						242,071	-	-
Consumption taxes						50,625	-	-
Gross receipts tax						8,769	-	-
Motor vehicle licenses						206,269	-	-
Local tax on deeds						68,641	-	-
Hotel and motel room taxes						117,331	-	-
Unrestricted revenues from use of money and property						123,129	4,388	18,993
Miscellaneous						171,794	86,197	23,829
Contribution from County of Giles, Virginia						-	5,439,349	1,456,317
Grants and contributions not restricted to specific programs						1,753,834	-	-
Gain on disposal of inventory						-	-	-
Transfers						(395,263)	395,263	393,717
Total general revenues and transfers						\$ 18,591,270	\$ 396,052	\$ 5,529,934
Change in net position						\$ 1,011,014	\$ (481,975)	\$ (1,886,729)
Net position - beginning						194,729	4,298,510	(13,521,597)
Net position - ending						\$ 1,205,743	\$ 3,816,535	\$ (15,408,326)

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

County of Giles, Virginia
Balance Sheet
Governmental Funds
June 30, 2017

	<u>General</u>	<u>County Capital Improvements</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 3,090,483	\$ 951,295	\$ 4,041,778
Receivables (net of allowance for uncollectibles):			
Taxes receivable	3,824,236	-	3,824,236
Accounts receivable	99,661	-	99,661
Due from other governmental units	1,163,234	76,864	1,240,098
Restricted assets:			
Cash and cash equivalents	-	1,450,785	1,450,785
Total assets	<u>\$ 8,177,614</u>	<u>\$ 2,478,944</u>	<u>\$ 10,656,558</u>
LIABILITIES			
Accounts payable	\$ 250,194	\$ 934,554	\$ 1,184,748
Retainage payable	-	80,432	80,432
Total liabilities	<u>\$ 250,194</u>	<u>\$ 1,014,986</u>	<u>\$ 1,265,180</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	<u>\$ 4,425,248</u>	<u>\$ -</u>	<u>\$ 4,425,248</u>
FUND BALANCES			
Restricted			
Capital projects fund	\$ -	\$ 468,250	\$ 468,250
Committed			
Capital projects	-	995,708	995,708
Unassigned	3,502,172	-	3,502,172
Total fund balances	<u>\$ 3,502,172</u>	<u>\$ 1,463,958</u>	<u>\$ 4,966,130</u>
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 8,177,614</u></u>	<u><u>\$ 2,478,944</u></u>	<u><u>\$ 10,656,558</u></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, 2017

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 4,966,130
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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	3,671,570	
Buildings and improvements	16,301,168	
Machinery and equipment	1,055,833	21,559,101

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	690,165
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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.

604,421

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	\$ (2,542,619)	
Lease revenue bonds	(17,545,900)	
Unamortized bond premium	(1,786,013)	
Capital lease	(593,822)	
Landfill accrued closure/postclosure costs	(45,929)	
Net OPEB obligation	(226,065)	
Compensated absences	(748,535)	
Accrued interest payable	(150,197)	
Net pension liability	(3,917,207)	
Deferred outflows related to measurement of the net pension liability	942,213	(26,614,074)

Net position of governmental activities	\$ 1,205,743
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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, 2017

	<u>General</u>	<u>County Capital Improvements</u>	<u>Total</u>
REVENUES			
General property taxes	\$ 14,883,081	\$ -	\$ 14,883,081
Other local taxes	1,981,807	-	1,981,807
Permits, privilege fees, and regulatory licenses	41,617	-	41,617
Fines and forfeitures	11,634	-	11,634
Revenue from the use of money and property	115,125	7,215	122,340
Charges for services	569,302	-	569,302
Miscellaneous	171,794	-	171,794
Recovered costs	2,307,481	-	2,307,481
Intergovernmental:			
Commonwealth	6,083,496	80,262	6,163,758
Federal	1,932,187	-	1,932,187
Total revenues	<u>\$ 28,097,524</u>	<u>\$ 87,477</u>	<u>\$ 28,185,001</u>
EXPENDITURES			
Current:			
General government administration	\$ 1,995,494	\$ -	\$ 1,995,494
Judicial administration	926,525	-	926,525
Public safety	5,195,900	-	5,195,900
Public works	699,683	2,491,702	3,191,385
Health and welfare	5,551,415	-	5,551,415
Education	6,577,347	420,937	6,998,284
Parks, recreation, and cultural	685,394	-	685,394
Community development	2,029,263	64,007	2,093,270
Nondepartmental	356,710	-	356,710
Debt service:			
Principal retirement	1,074,786	452,846	1,527,632
Interest and other fiscal charges	191,743	717,429	909,172
Total expenditures	<u>\$ 25,284,260</u>	<u>\$ 4,146,921</u>	<u>\$ 29,431,181</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 2,813,264</u>	<u>\$ (4,059,444)</u>	<u>\$ (1,246,180)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ 7,210	\$ 535,732	\$ 542,942
Transfers out	(938,205)	-	(938,205)
Issuance of capital leases	-	486,810	486,810
Total other financing sources (uses)	<u>\$ (930,995)</u>	<u>\$ 1,022,542</u>	<u>\$ 91,547</u>
Net change in fund balances	\$ 1,882,269	\$ (3,036,902)	\$ (1,154,633)
Fund balances - beginning	<u>1,619,903</u>	<u>4,500,860</u>	<u>6,120,763</u>
Fund balances - ending	<u>\$ 3,502,172</u>	<u>\$ 1,463,958</u>	<u>\$ 4,966,130</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, 2017

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

Net change in fund balances - total governmental funds		\$ (1,154,633)
--	--	----------------

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

Capital asset additions	\$ 3,130,116	
Depreciation expense	(2,113,316)	1,016,800

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	\$ 73,677	
Change in deferred inflows related to the measurement of the net pension liability	467,627	541,304

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.

Capital lease proceeds	\$ (486,810)	
Payments of principal:		
General obligation bonds	979,507	
Lease revenue bonds	407,256	
Capital lease	140,869	
(Increase) decrease in landfill closure and postclosure monitoring costs	44,750	1,085,572

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	\$ (55,129)	
(Increase) decrease in net OPEB obligation	(41,062)	
(Increase) decrease in accrued interest payable	35,448	
Amortization of bond premium	130,105	
Change in net pension liability	(1,000,029)	
Change in deferred outflows related to measurement of the net pension liability	459,861	
Change in deferred outflows related to pension payments subsequent to the measurement date	(7,223)	(478,029)

Change in net position of governmental activities		\$ 1,011,014
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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, 2017

	Enterprise Fund Water Department	Component Unit Industrial Development Authority
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 99	\$ -
Accounts receivable (net of allowance for uncollectibles)	123,142	-
Total current assets	<u>\$ 123,241</u>	<u>\$ -</u>
Restricted current assets:		
Cash and cash equivalents	-	-
Investments	-	-
Total current assets	<u>\$ 123,241</u>	<u>\$ -</u>
Noncurrent assets:		
Lease purchase receivable, net of current portion	\$ -	\$ 609,158
Inventories (land and buildings held for resale)	-	1,689,349
Capital assets:		
Land	13,000	607,801
Construction in progress	79,983	-
Utility plant in service	17,003,179	-
Buildings and improvements	-	9,493,633
Machinery and equipment	585,219	-
Accumulated depreciation	(5,659,466)	(1,989,812)
Total capital assets	<u>\$ 12,021,915</u>	<u>\$ 8,111,622</u>
Total noncurrent assets	<u>\$ 12,021,915</u>	<u>\$ 10,410,129</u>
Total assets	<u>\$ 12,145,156</u>	<u>\$ 10,410,129</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension contributions subsequent to the measurement date	\$ 30,161	\$ 10,340
Items related to measurement of net pension liability	71,493	24,698
Total deferred outflows of resources	<u>\$ 101,654</u>	<u>\$ 35,038</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 20,646	\$ 171
Customer deposits	30,100	-
Accrued interest payable	68,308	5,081
Compensated absences - current portion	30,347	-
Bonds payable - current portion	104,978	194,030
Total current liabilities	<u>\$ 254,379</u>	<u>\$ 199,282</u>
Noncurrent liabilities:		
Net OPEB obligation	\$ 25,930	\$ -
Compensated absences - net of current portion	10,116	-
Net pension liability	297,797	69,844
Bonds payable - net of current portion	7,787,784	5,541,668
Total noncurrent liabilities	<u>\$ 8,121,627</u>	<u>\$ 5,611,512</u>
Total liabilities	<u>\$ 8,376,006</u>	<u>\$ 5,810,794</u>
DEFERRED INFLOWS OF RESOURCES		
Items related to measurement of net pension liability	\$ 9,098	\$ -
Deferred amount on refunding	45,171	3,523
Total deferred inflows of resources	<u>\$ 54,269</u>	<u>\$ 3,523</u>
NET POSITION		
Net investment in capital assets	\$ 4,174,324	\$ 2,375,924
Unrestricted	(357,789)	2,254,926
Total net position	<u>\$ 3,816,535</u>	<u>\$ 4,630,850</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, 2017

	Enterprise Fund Water <u>Department</u>	Component Unit Industrial Development <u>Authority</u>
OPERATING REVENUES		
Charges for services:		
Water revenues	\$ 547,141	\$ -
Rental of property	-	368,590
Penalties	41,676	-
Sale of land held as inventory:		
Gross sales price	-	409,850
Cost of inventory	-	(16,133)
Miscellaneous	80,952	23,829
Total operating revenues	<u>\$ 669,769</u>	<u>\$ 786,136</u>
OPERATING EXPENSES		
Salaries	\$ 277,994	\$ 91,508
Fringes	108,518	27,055
Contracted services	17,122	3,836
Repair and maintenance	47,200	116
Water purchase	227,930	-
Material and supplies	51,671	-
Insurance	8,616	35,776
Miscellaneous	48,262	1,784
Utilities	26,687	18,839
Reserve capacity payment	27,153	-
Depreciation	502,231	250,131
Economic development	-	1,666,661
Total operating expenses	<u>\$ 1,343,384</u>	<u>\$ 2,095,706</u>
Operating income (loss)	<u>\$ (673,615)</u>	<u>\$ (1,309,570)</u>
NONOPERATING REVENUES (EXPENSES)		
Interest income	\$ 789	\$ 18,993
Connection fees	13,442	-
Interest expense	(217,854)	(148,895)
Total nonoperating revenues (expenses)	<u>\$ (203,623)</u>	<u>\$ (129,902)</u>
Income before contributions and transfers	<u>\$ (877,238)</u>	<u>\$ (1,439,472)</u>
Capital contributions and construction grants	-	80,521
Contribution from primary government	-	1,456,317
Transfers in	395,263	-
Change in net position	<u>\$ (481,975)</u>	<u>\$ 97,366</u>
Net position - beginning	4,298,510	4,533,484
Net position - ending	<u><u>\$ 3,816,535</u></u>	<u><u>\$ 4,630,850</u></u>

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

County of Giles, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2017

	Enterprise Fund Water <u>Department</u>	Component Unit Industrial Development <u>Authority</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 632,133	\$ 802,268
Payments to suppliers	(458,666)	(1,727,141)
Payments to employees	(376,219)	(114,826)
Net cash provided by (used for) operating activities	<u>\$ (202,752)</u>	<u>\$ (1,039,699)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers from other funds	<u>\$ 395,263</u>	<u>\$ 1,456,317</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	\$ (102,751)	\$ -
Principal payments on bonds	(40,195)	(317,837)
Contributions in aid of construction	-	80,521
Interest payments	(276,345)	(239,988)
Connection fees	13,442	-
Net cash provided by (used for) capital and related financing activities	<u>\$ (405,849)</u>	<u>\$ (477,304)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	\$ 789	\$ -
Note receivable payments	-	60,686
Net cash provided by (used for) investing activities	<u>\$ 789</u>	<u>\$ 60,686</u>
Net increase (decrease) in cash and cash equivalents	\$ (212,549)	\$ -
Cash and cash equivalents - beginning	212,648	-
Cash and cash equivalents - ending	<u>\$ 99</u>	<u>\$ -</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	<u>\$ (673,615)</u>	<u>\$ (1,309,570)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation expense	\$ 502,231	\$ 250,131
(Increase) decrease in accounts receivable	(40,736)	-
(Increase) decrease in inventories	-	16,132
(Increase) decrease in deferred outflows of resources	(16,586)	(17,157)
Increase (decrease) in customer deposits	3,100	-
Increase (decrease) in accounts payable	(4,025)	(129)
Increase (decrease) in net OPEB obligation	(4,890)	-
Increase (decrease) in compensated absences	(4,474)	-
Increase (decrease) in net pension liability	64,537	27,657
Increase (decrease) in deferred inflows of resources	(28,294)	(6,763)
Total adjustments	<u>\$ 470,863</u>	<u>\$ 269,871</u>
Net cash provided by (used for) operating activities	<u>\$ (202,752)</u>	<u>\$ (1,039,699)</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, 2017

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 74,625
Total assets	<u>\$ 74,625</u>
LIABILITIES	
Amounts held for Social Services clients	\$ 74,625
Total liabilities	<u>\$ 74,625</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, 2017

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, 2017, the County paid \$1,000,057 for the confinement of prisoners.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

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, 2017

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, 2017

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 \$75,545 at June 30, 2017 and is comprised solely of property taxes. The allowance amounted to approximately \$349,904 for the Water department at June 30, 2017 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, 2017Note 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, 2017

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, 2017

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. It is also 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, 2017

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, 2017

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, 2017, the ACCE Program Fund, School Fund, and VDOT Sharing Program Fund had expenditures in excess of appropriations.

C. Deficit Fund Equity

At June 30, 2017, there were no funds with deficit fund equity.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017Note 3-Deposits and Investments:Deposits:

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

Investments:

Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP). At June 30, 2017, the County had no investments.

Note 4-Due from Other Governmental Units:

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

	Primary Government Governmental Activities	Component Unit- School Board
<u>Commonwealth of Virginia:</u>		
Local sales tax	\$ 211,097	\$ -
State sales tax	-	494,424
Categorical aid	179,442	1,943
Shared expenses	149,844	-
Non-categorical aid	169,795	-
Virginia public assistance funds	127,559	-
Community services act	233,104	-
<u>Federal Government:</u>		
Virginia public assistance funds	167,487	-
School grants	-	240,650
Categorical aid	1,770	-
Totals	\$ 1,240,098	\$ 737,017

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017Note 5-Interfund Transfers and Balances:

Interfund transfers and remaining balances for the year ended June 30, 2017, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ 7,210	\$ 938,205
Water and Sewer Fund	395,263	-
County Capital Improvements Fund	535,732	-
Total	<u>\$ 938,205</u>	<u>\$ 938,205</u>

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

Note 6-Long-Term Obligations:Primary Government - Governmental Activities Indebtedness:

The following is a summary of long-term obligation transactions of the County for the year ended June 30, 2017:

	<u>Balance July 1, 2016</u>	<u>Increases/ Issuances</u>	<u>Decreases/ Retirements</u>	<u>Balance June 30, 2017</u>
General obligation bonds	\$ 3,522,126	\$ -	\$ (979,507)	\$ 2,542,619
Lease revenue bonds	17,953,156	-	(407,256)	17,545,900
Unamortized premiums	1,916,118	-	(130,105)	1,786,013
Capital leases	247,881	486,810	(140,869)	593,822
Landfill postclosure liability	90,679	-	(44,750)	45,929
Net OPEB obligation	185,003	96,503	(55,441)	226,065
Compensated absences	693,406	575,184	(520,055)	748,535
Net pension liability	2,917,178	2,223,258	(1,223,229)	3,917,207
Total	<u>\$ 27,525,547</u>	<u>\$ 3,381,755</u>	<u>\$ (3,501,212)</u>	<u>\$ 27,406,090</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 6-Long-Term Obligations: (Continued)Primary Government - Governmental Activities Indebtedness: (Continued)

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

Year Ending June 30,	General Obligation Bonds		Lease Revenue Bonds	
	Principal	Interest	Principal	Interest
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	-	-	1,254,364	518,724
2023-2027	-	-	6,310,761	1,808,260
2028-2032	-	-	5,872,761	733,304
2033-2034	-	-	1,239,918	30,916
Totals	<u>\$ 2,542,619</u>	<u>\$ 250,900</u>	<u>\$ 17,545,900</u>	<u>\$ 5,585,410</u>

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COUNTY OF GILES, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

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	\$ 285,000	\$ 90,000
General Obligation 2000B VPSA Bond	5.10-5.27%	11/25/2000	7/15/2020	\$606,914-679,606 a+	11,508,990	1,998,366	652,865
General Obligation 1998A VPSA Bond	4.35-5.10%	11/19/1998	7/15/2018	\$194,058-209,765 a+	3,684,045	209,765	209,765
General Obligation 1998B VPSA Bond	4.35-5.10%	11/19/1998	7/15/2018	\$45,782-49,488 a+	869,126	49,488	49,488
Total General Obligation Bonds						<u>\$ 2,542,619</u>	<u>\$ 1,002,118</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	\$ 152,262	\$ 152,262
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	3,069,000	152,000
Lease Revenue Bond Series 2015D	3.13%	11/18/2015	10/1/2032	\$54,255-526,598 a+	2,508,519	2,454,263	73,404
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>\$ 17,545,900</u>	<u>\$ 377,666</u>
<u>Deferred Amount:</u>							
2012C Unamortized Premium						\$ 1,298,316	\$ 83,762
2015D Unamortized Premium						166,559	25,624
2015D Unamortized Premium						321,138	20,719
Total Unamortized Premiums						<u>\$ 1,786,013</u>	<u>\$ 130,105</u>
<u>Other Obligations:</u>							
Capital Leases (Note 8)						\$ 593,822	\$ 193,439
Landfill Postclosure Liability						45,929	-
Net OPEB Obligation						226,065	-
Compensated Absences						748,535	561,401
Net pension liability						3,917,207	-
Total Other Obligations						<u>\$ 5,531,558</u>	<u>\$ 754,840</u>
Total Long-Term Obligations						<u>\$ 27,406,090</u>	<u>\$ 2,264,729</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017Note 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, 2017:

	Balance July 1, 2016	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2017
Revenue bond	\$ 275,301	\$ -	\$ (11,592)	\$ 263,709
Lease revenue bonds	6,809,970	-	(28,603)	6,781,367
Unamortized premiums	902,376	-	(54,690)	847,686
Net OPEB obligation	30,820	1,469	(6,359)	25,930
Compensated absences	44,937	29,229	(33,703)	40,463
Net pension liability	233,260	168,903	(104,366)	297,797
Total	<u>\$ 8,296,664</u>	<u>\$ 199,601</u>	<u>\$ (239,313)</u>	<u>\$ 8,256,952</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
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	11,591	-	442,497	228,337
2023-2027	57,957	-	2,580,955	830,650
2028-2032	57,957	-	2,580,955	329,876
2033-2037	57,957	-	431,613	9,235
2038-2040	31,883	-	-	-
Totals	<u>\$ 263,709</u>	<u>\$ -</u>	<u>\$ 6,781,367</u>	<u>\$ 2,401,134</u>

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COUNTY OF GILES, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

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	\$ 263,709	\$ 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	1,293,842	38,698
Total Lease Revenue Bonds						<u>\$ 6,781,367</u>	<u>\$ 38,698</u>
<u>Deferred Amount:</u>							
2012C Unamortized Premium						\$ 678,388	\$ 43,767
2015D Unamortized Premium						169,298	10,922
Total Unamortized Premiums						<u>\$ 847,686</u>	<u>\$ 54,689</u>
<u>Other Obligations:</u>							
Net OPEB Obligation						\$ 25,930	\$ -
Compensated Absences						40,463	30,347
Net pension liability						297,797	-
Total Other Obligations						<u>\$ 364,190</u>	<u>\$ 30,347</u>
Total Long-Term Obligations						<u>\$ 8,256,952</u>	<u>\$ 135,325</u>

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, 2017:

	Balance July 1, 2016	Increases	Decreases	Balance July 1, 2017
Net OPEB Obligation	\$ 487,642	\$ 442,353	\$ (397,400)	\$ 532,595
Compensated Absences	343,433	235,059	(257,575)	320,917
Net pension liability	<u>20,904,120</u>	<u>5,555,547</u>	<u>(3,169,164)</u>	<u>23,290,503</u>
Total	<u>\$ 21,735,195</u>	<u>\$ 6,232,959</u>	<u>\$ (3,824,139)</u>	<u>\$ 24,144,015</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017Note 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	\$ 532,595	\$ -
Compensated absences	320,917	240,688
Net pension liability	23,290,503	-
	<u>\$ 24,144,015</u>	<u>\$ 240,688</u>
Total Long-Term Obligations	<u>\$ 24,144,015</u>	<u>\$ 240,688</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, 2017:

	Balance July 1, 2016	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2017
Notes Payable	\$ 2,507,362	\$ -	\$ (133,695)	\$ 2,373,667
Lease Revenue Bonds	3,482,135	-	(184,142)	3,297,993
Unamortized Premium	68,169	-	(4,131)	64,038
Net pension liability	42,187	49,466	(21,809)	69,844
	<u>\$ 6,099,853</u>	<u>\$ 49,466</u>	<u>\$ (343,777)</u>	<u>\$ 5,805,542</u>
Total	<u>\$ 6,099,853</u>	<u>\$ 49,466</u>	<u>\$ (343,777)</u>	<u>\$ 5,805,542</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
2018	\$ -	\$ 50,678	\$ 189,898	\$ 56,144
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	158,600	79,305	240,138	68,883
2023-2027	903,042	286,485	1,310,284	237,331
2028-2032	874,911	76,711	800,284	63,015
2033-2034	-	-	116,469	3,342
	<u>\$ 2,373,667</u>	<u>\$ 769,780</u>	<u>\$ 3,297,993</u>	<u>\$ 673,337</u>
Totals	<u>\$ 2,373,667</u>	<u>\$ 769,780</u>	<u>\$ 3,297,993</u>	<u>\$ 673,337</u>

COUNTY OF GILES, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

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	\$ 1,033,765	\$ -
Notes Payable	4.27%	8/12/2010	7/15/2031	\$134,294 a	1,806,356	1,339,902	-
Total Notes Payable						\$ 2,373,667	\$ -
<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	1,479,000	110,000
Lease Revenue Bond Series 2014B	3.93%	6/11/2014	1/15/209	\$43,000-71,000 a+	844,000	701,000	47,000
Lease Revenue Bond Series 2014C	2.12%	6/11/2014	1/15/2034	\$29,000-42,000 a+	702,000	609,000	30,000
Lease Revenue Bond Series 2015D	3.13%	11/18/2015	10/1/2032	\$2,142-20,790 a+	99,036	96,894	2,898
Total Lease Revenue Bonds						\$ 3,297,993	\$ 189,898
<u>Deferred Amount:</u>							
2012C Unamortized Premium						\$ 51,359	\$ 3,314
2015D Unamortized Premium						12,679	818
Total Unamortized Premiums						\$ 64,038	\$ 4,132
<u>Other Obligations:</u>							
Net pension liability						\$ 69,844	\$ -
Total Long-Term Obligations						\$ 5,805,542	\$ 194,030

Note 8-Capital Leases:

Primary Government

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

The assets acquired through capital leases are as follows:

	<u>E-911 Equipment</u>	<u>Modular Classrooms</u>	<u>Buses & Vans</u>	<u>Voting Machines</u>
Machinery and equipment	\$ 170,718	\$ 203,141	\$ 311,184	\$ 63,250
Less: Accumulated depreciation	<u>(141,197)</u>	<u>(18,394)</u>	<u>(43,548)</u>	<u>(14,487)</u>
Net Capital Assets	<u>\$ 29,521</u>	<u>\$ 184,747</u>	<u>\$ 267,636</u>	<u>\$ 48,763</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017Note 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, 2017, were as follows:

Year Ending June 30,	E-911 Equipment	Modular Classrooms	Buses & Vans	Voting Machines
2018	\$ 49,112	\$ 54,882	\$ 65,383	\$ 37,848
2019	-	54,882	65,383	37,848
2020	-	-	65,383	37,848
2021	-	-	65,383	37,848
2022	-	-	32,691	18,926
Subtotal	\$ 49,112	\$ 109,764	\$ 294,223	\$ 170,318
Less, amount representing interest	<u>(1,610)</u>	<u>(4,663)</u>	<u>(12,490)</u>	<u>(10,832)</u>
Present Value of Lease Agreement	\$ <u>47,502</u>	\$ <u>105,101</u>	\$ <u>281,733</u>	\$ <u>159,486</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017**Note 9-Pension Plan:***Plan Description*

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

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

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. 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, 2017Note 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, 2017

Note 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 are paying the full 5% as of 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 are paying the full 5% as of 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, 2017Note 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, 2017

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, 2017Note 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, 2017Note 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, 2017

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, 2017

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, 2017Note 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, 2017Note 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, 2017Note 9-Pension Plan: (Continued)*Plan Description (Continued)*

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-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, 2015 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	98	49
Inactive members:		
Vested inactive members	29	6
Non-vested inactive members	18	17
Inactive members active elsewhere in VRS	54	12
Total inactive members	101	35
Active members	103	55
Total covered employees	302	139

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, 2017 was 11.30% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

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 \$634,582 and \$658,143 for the years ended June 30, 2017 and June 30, 2016, respectively.

The Component Unit Industrial Development Authority's (IDA) contractually required contribution rate for the year ended June 30, 2017 was 11.30% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit IDA were \$10,340 and \$10,905 for the years ended June 30, 2017 and June 30, 2016, respectively.

The Component Unit School Board's contractually required contribution rate for nonprofessional employees for the year ended June 30, 2017 was 9.64% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board's nonprofessional employees were \$35,143 and \$46,776 for the years ended June 30, 2017 and June 30, 2016, 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, 2016. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

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, 2015, 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, 2016.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

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, 2017

Note 9-Pension Plan: (Continued)

Actuarial Assumptions - General Employees (Continued)

The actuarial assumptions used in the June 30, 2015 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, 2015, 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, 2016.

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, 2017

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, 2015 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, 2017Note 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, 2017Note 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, 2015	\$ 22,409,465	\$ 19,259,027	\$ 3,150,438
Changes for the year:			
Service cost	\$ 526,089	\$ -	\$ 526,089
Interest	1,521,355	-	1,521,355
Differences between expected and actual experience	331,152	-	331,152
Impact in change of proportion	(70,081)	(60,229)	(9,852)
Contributions - employer	-	707,686	(707,686)
Contributions - employee	-	272,361	(272,361)
Net investment income	-	336,177	(336,177)
Benefit payments, including refunds of employee contributions	(1,211,475)	(1,211,475)	-
Administrative expenses	-	(11,904)	11,904
Other changes	-	(142)	142
Net changes	\$ 1,097,040	\$ 32,474	\$ 1,064,566
Balances at June 30, 2016	\$ 23,506,505	\$ 19,291,501	\$ 4,215,004

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017Note 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, 2015	\$ 300,084	\$ 257,897	\$ 42,187
Changes for the year:			
Service cost	\$ 8,717	\$ -	\$ 8,717
Interest	25,209	-	25,209
Differences between expected and actual experience	5,487	-	5,487
Impact in change of proportion	70,082	60,229	9,853
Contributions - employer	-	11,725	(11,725)
Contributions - employee	-	4,513	(4,513)
Net investment income	-	5,570	(5,570)
Benefit payments, including refunds of employee contributions	(20,074)	(20,074)	-
Administrative expenses	-	(197)	197
Other changes	-	(2)	2
Net changes	\$ 89,421	\$ 61,764	\$ 27,657
Balances at June 30, 2016	\$ 389,505	\$ 319,661	\$ 69,844

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017Note 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, 2015	\$ 5,624,358	\$ 4,430,238	\$ 1,194,120
Changes for the year:			
Service cost	\$ 105,253	\$ -	\$ 105,253
Interest	382,399	-	382,399
Differences between expected and actual experience	(155,047)	-	(155,047)
Contributions - employer	-	46,775	(46,775)
Contributions - employee	-	18,866	(18,866)
Net investment income	-	70,476	(70,476)
Benefit payments, including refunds of employee contributions	(323,028)	(323,028)	-
Administrative expenses	-	(2,864)	2,864
Other changes	-	(31)	31
Net changes	\$ 9,577	\$ (189,806)	\$ 199,383
Balances at June 30, 2016	\$ 5,633,935	\$ 4,240,432	\$ 1,393,503

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017Note 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)	7,288,089	4,215,004	1,671,177
Component Unit Industrial Development Authority			
Net Pension Liability (Asset)	120,764	69,844	27,692
Component Unit School Board (nonprofessional)			
Net Pension Liability	2,074,406	1,393,503	823,603

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017Note 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, 2017, the County, Component Unit IDA, and Component Unit School Board (nonprofessional) recognized pension expense of \$785,517, \$12,927, and \$140,117, respectively. At June 30, 2017, 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	\$ 519,788	\$ -	\$ 7,677	\$ -	\$ 23,808	\$ 101,583
Net difference between projected and actual earnings on pension plan investments	492,702	-	9,139	-	113,159	-
Change in proportionate share	1,216	9,098	7,882	-	-	-
Employer contributions subsequent to the measurement date	634,582	-	10,340	-	35,143	-
Total	<u>\$ 1,648,288</u>	<u>\$ 9,098</u>	<u>\$ 35,038</u>	<u>\$ -</u>	<u>\$ 172,110</u>	<u>\$ 101,583</u>

\$634,582, \$10,340, and \$35,143 reported as deferred outflows of resources related to pensions resulting from the County's, Component Unit IDA's, and Component Unit School Board's (nonprofessional) contributions, respectively, subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	Primary Government	Component Unit Industrial Development Authority	Component Unit School Board (nonprofessional)
2018	\$ 331,813	\$ 7,412	\$ (30,557)
2019	173,274	5,289	(47,187)
2020	301,647	6,715	67,021
2021	197,874	5,282	46,107
Thereafter	-	-	-

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

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 school divisions 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, 2017 was 14.66% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and reflects the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarial rate for the Teacher Retirement Plan was 16.32%. 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 89.84% of the actuarial rate for the year ended June 30, 2017. Contributions to the pension plan from the School Board were \$1,752,000 and \$1,662,000 for the years ended June 30, 2017 and June 30, 2016, respectively.

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

At June 30, 2017, the school division reported a liability of \$21,897,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2016 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, 2016 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2016, the school division's proportion was 0.15625% as compared to 0.15660% at June 30, 2015.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017Note 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, 2017, the school division recognized pension expense of \$1,973,000. 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, 2017, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 710,000
Net difference between projected and actual earnings on pension plan investments	1,251,000	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	305,000	83,000
Employer contributions subsequent to the measurement date	<u>1,752,000</u>	<u>-</u>
Total	<u>\$ 3,308,000</u>	<u>\$ 793,000</u>

\$1,752,000 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	
2017	\$ (56,000)
2018	(56,000)
2019	587,000
2020	338,000
Thereafter	(50,000)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

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, 2015, 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, 2016.

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, 2015 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, 2017

Note 9-Pension Plan: (Continued)Component Unit School Board (professional) (Continued)*Net Pension Liability*

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2016, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

	<u>Teacher Employee Retirement Plan</u>
Total Pension Liability	\$ 44,182,326
Plan Fiduciary Net Position	30,168,211
Employers' Net Pension Liability (Asset)	\$ <u>14,014,115</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.28%

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017Note 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, 2017Note 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	\$ 31,214,000	\$ 21,897,000	\$ 14,222,000
<i>Pension Plan Fiduciary Net Position</i>			

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-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, 2017Note 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* and *deferred revenue* reported in the governmental funds and governmental activities, respectively, were as follows:

	<u>Unavailable</u>	<u>Deferred</u>
Property taxes receivable due after June 30, 2017	\$ 2,961,748	\$ 2,961,748
Property taxes receivable due prior to June 30, 2017	690,165	-
ACCE contribution	411,526	411,526
Prepaid taxes	361,809	361,809
Total unavailable revenue for governmental funds	\$ 4,425,248	\$ 3,735,083

Note 11-Capital Assets:notes

Capital asset activity for the year ended June 30, 2017 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	1,298,805	2,612,030	(239,265)	3,671,570
Total capital assets not being depreciated	<u>\$ 1,829,335</u>	<u>\$ 2,612,030</u>	<u>\$ (239,265)</u>	<u>\$ 4,202,100</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 35,935,328	\$ 239,265	\$ -	\$ 36,174,593
Machinery and equipment	3,823,080	518,086	(67,800)	4,273,366
Total capital assets being depreciated	<u>\$ 39,758,408</u>	<u>\$ 757,351</u>	<u>\$ (67,800)</u>	<u>\$ 40,447,959</u>
Accumulated depreciation:				
Buildings and improvements	\$ (18,094,928)	\$ (1,778,497)	\$ -	\$ (19,873,425)
Machinery and equipment	(2,950,514)	(334,819)	67,800	(3,217,533)
Total accumulated depreciation	<u>\$ (21,045,442)</u>	<u>\$ (2,113,316)</u>	<u>\$ 67,800</u>	<u>\$ (23,090,958)</u>
Total capital assets being depreciated, net	<u>\$ 18,712,966</u>	<u>\$ (1,355,965)</u>	<u>\$ -</u>	<u>\$ 17,357,001</u>
Governmental activities capital assets, net	<u>\$ 20,542,301</u>	<u>\$ 1,256,065</u>	<u>\$ (239,265)</u>	<u>\$ 21,559,101</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017Note 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	2,712,328	43,565	(2,675,910)	79,983
Total capital assets, not being depreciated	<u>\$ 2,725,328</u>	<u>\$ 43,565</u>	<u>\$ (2,675,910)</u>	<u>\$ 92,983</u>
Capital assets, being depreciated:				
Utility plant and infrastructure	\$ 14,327,270	\$ 2,675,910	\$ -	\$ 17,003,180
Machinery and equipment	553,393	31,825	-	585,218
Total capital assets, being depreciated	<u>\$ 14,880,663</u>	<u>\$ 2,707,735</u>	<u>\$ -</u>	<u>\$ 17,588,398</u>
Accumulated depreciation:				
Utility plant and infrastructure	\$ (4,817,685)	\$ (465,325)	\$ -	\$ (5,283,010)
Machinery and equipment	(339,550)	(36,906)	-	(376,456)
Total accumulated depreciation	<u>\$ (5,157,235)</u>	<u>\$ (502,231)</u>	<u>\$ -</u>	<u>\$ (5,659,466)</u>
Total capital assets being depreciated, net	<u>\$ 9,723,428</u>	<u>\$ 2,205,504</u>	<u>\$ -</u>	<u>\$ 11,928,932</u>
Business-type activities capital assets, net	<u>\$ 12,448,756</u>	<u>\$ 2,249,069</u>	<u>\$ (2,675,910)</u>	<u>\$ 12,021,915</u>

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

Governmental activities:

General government administration	\$ 148,171
Judicial administration	32,111
Public safety	174,232
Public works	22,910
Education	1,649,670
Parks, recreation, and cultural	5,974
Community development	<u>80,248</u>

Total depreciation expense-governmental activities \$ 2,113,316

Business-type activities:

Water department	<u>\$ 502,231</u>
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017Note 11-Capital Assets: (Continued)

Capital asset activity for the School Board for the year ended June 30, 2017 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	78,422	77,089	(155,511)	-
Total capital assets not being depreciated	<u>\$ 552,074</u>	<u>\$ 77,089</u>	<u>\$ (155,511)</u>	<u>\$ 473,652</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 14,957,933	\$ 175,242	\$ -	\$ 15,133,175
Machinery and equipment	5,138,554	399,479	(119,153)	5,418,880
Total capital assets being depreciated	<u>\$ 20,096,487</u>	<u>\$ 574,721</u>	<u>\$ (119,153)</u>	<u>\$ 20,552,055</u>
Accumulated depreciation:				
Buildings and improvements	\$ (12,208,821)	\$ (356,852)	\$ -	\$ (12,565,673)
Machinery and equipment	(3,785,563)	(306,669)	119,153	(3,973,079)
Total accumulated depreciation	<u>\$ (15,994,384)</u>	<u>\$ (663,521)</u>	<u>\$ 119,153</u>	<u>\$ (16,538,752)</u>
Total capital assets being depreciated, net	<u>\$ 4,102,103</u>	<u>\$ (88,800)</u>	<u>\$ -</u>	<u>\$ 4,013,303</u>
Governmental activities capital assets, net	<u>\$ 4,654,177</u>	<u>\$ (11,711)</u>	<u>\$ (155,511)</u>	<u>\$ 4,486,955</u>

Depreciation expense of \$663,521 was charged to education in the Statement of Activities.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017Note 11-Capital Assets: (Continued)

Capital asset activity for the Industrial Development Authority for the year ended June 30, 2017 was as follows:

Discretely Presented Component Unit-Industrial Development Authority:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 607,801	\$ -	\$ -	\$ 607,801
Total capital assets not being depreciated	<u>\$ 607,801</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 607,801</u>
Capital assets, being depreciated:				
Buildings and improvements	<u>\$ 9,493,633</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,493,633</u>
Accumulated depreciation:				
Buildings and improvements	<u>\$ (1,739,681)</u>	<u>\$ (250,131)</u>	<u>\$ -</u>	<u>\$ (1,989,812)</u>
Total capital assets being depreciated, net	<u>\$ 7,753,952</u>	<u>\$ (250,131)</u>	<u>\$ -</u>	<u>\$ 7,503,821</u>
Business-type activities capital assets, net	<u>\$ 8,361,753</u>	<u>\$ (250,131)</u>	<u>\$ -</u>	<u>\$ 8,111,622</u>

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, 2017, the value of these assets was \$1,689,349.

The following is a summary of transactions for these assets for the year ended June 30, 2017.

	Beginning Balance	Increases	Decreases	Ending Balance
Inventories/ Assets held for resale	<u>\$ 1,705,481</u>	<u>\$ -</u>	<u>\$ (16,132)</u>	<u>\$ 1,689,349</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

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 \$45,929. This amount is based on what it would cost to perform all postclosure care in 2017. 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, 2017

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 129 and 303 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, 2017Note 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 (\$595.00 as of 7/1/2016). 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 Key Advantage 500	Anthem Key Advantage 1000	Anthem Key Advantage HDHP
Employee Only	\$ 595.00	\$ 565.00	\$ 466.00
Employee & Spouse	1,101.00	1,045.00	862.00
Family	1,607.00	1,526.00	1,258.00

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	Anthem Key Advantage 500	Anthem Key Advantage 1000	Anthem Key Advantage HDHP
Employee Only	\$ 595.00	\$ 565.00	\$ 466.00
Employee & Spouse	1,101.00	1,045.00	862.00
Family	1,607.00	1,526.00	1,258.00

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, 2017Note 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	\$ 88,275	\$ 10,125	\$ 98,400	\$ 451,800
Interest on net OPEB obligation	6,777	777	7,554	17,067
Adjustment to annual required contribution	1,451	(9,433)	(7,982)	(26,514)
Annual OPEB cost (expense)	96,503	1,469	97,972	442,353
Contributions made	(55,441)	(6,359)	(61,800)	(397,400)
Increase (Decrease) in net OPEB obligation	41,062	(4,890)	36,172	44,953
Net OPEB obligation - beginning of year	185,003	30,820	215,823	487,642
Net OPEB obligation - end of year	\$ 226,065	\$ 25,930	\$ 251,995	\$ 532,595

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 2017 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	6/30/2017	\$ 97,972	63%	\$ 251,995
County	6/30/2016	69,729	59%	215,823
County	6/30/2015	67,296	50%	187,294
School Board	6/30/2017	442,353	90%	532,595
School Board	6/30/2016	437,284	75%	487,642
School Board	6/30/2015	431,188	80%	377,658

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017Note 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, 2017, the most recent valuation date, is as follows:

Actuarial accrued liability (AAL)	\$	1,184,900
Actuarial value of plan assets	\$	-
Unfunded actuarial accrued liability (UAAL)	\$	1,184,900
Funded ratio (actuarial value of plan assets / AAL)		0.00%
Covered payroll (active plan members)	\$	5,605,500
UAAL as a percentage of covered payroll		21.14%

The funded status of the Plan for the School Board as of January 1, 2017, the most recent valuation date, is as follows:

Actuarial accrued liability (AAL)	\$	4,492,300
Actuarial value of plan assets	\$	-
Unfunded actuarial accrued liability (UAAL)	\$	4,492,300
Funded ratio (actuarial value of plan assets / AAL)		0.00%
Covered payroll (active plan members)	\$	11,037,600
UAAL as a percentage of covered payroll		40.70%

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, 2017

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

E. Actuarial Methods and Assumptions (Continued)

Primary Government:

As of January 1, 2017, 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 2.50 percent, investments rate of return at 3.50 percent, and a health care trend rate of 8.70 percent graded to 4.00 percent over 70 years. The UAAL is being amortized as a level percentage over the remaining amortization period, which at January 1, 2017 was 30 years.

Discretely Presented Component Unit - School Board:

As of January 1, 2017, 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 8.90 percent graded to 4.30 percent over 57 years. The UAAL is being amortized as a level percentage over the remaining amortization period, which at January 1, 2017 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 \$134,652, \$126,270, and \$123,401 for the fiscal years ended 2017, 2016, and 2015, respectively, and equaled the required contributions. The School Board's contributions represented 1.11%, 1.06%, 1.06% of annual covered payroll for the fiscal years ended 2017, 2016, and 2015, respectively.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017Note 19 - Commitments and Contingencies:

At June 30, 2017, the following construction commitments were outstanding:

Project	Total Due	Retainage	Net Amount Due
Governmental Activities			
Sheriff's Office Upfit	\$ 2,018,126 *	\$ 80,432	\$ 1,937,694

*Includes accounts payable of \$892,957.

Note 20-Litigation:

As of June 30, 2017, 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. 77, Tax Abatement Disclosures

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

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients.
- The gross dollar amount of taxes abated during the period.
- Commitments made by a government, other than to abate taxes, as part of a tax abatement.

The County entered into a performance agreement with Celanese Acetate, LLC on October 16, 2012. Under the agreement, the Company was obligated to make capital investments at the Facility of at least \$145,000,000 and to create and maintain at least 22 new jobs at the Facility, all as of the initial performance date of December 31, 2015. Upon completion of the Capital Investment project, the Locality provided funds to the Industrial Development Authority in an amount equal to the new taxes paid by the Company in the prior tax year, provided the Company had paid all taxes due to the Locality for the prior tax year. After receipt of funds from the Locality, the Authority provided a grant to the Company in an amount equal to such new taxes. Under the agreement, such reimbursement request shall be submitted no later than January 31st of each year thereafter for a maximum of five years. In fiscal year 2017, \$1,344,174 was reimbursed to the Company.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 22 - Upcoming Pronouncements:

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. 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.

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

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

Statement No. 86, *Certain Debt Extinguishment Issues*, improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 22 - Upcoming Pronouncements: (Continued)

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

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

Required Supplementary Information

County of Giles, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
General property taxes	\$ 14,744,257	\$ 14,744,257	\$ 14,883,081	\$ 138,824
Other local taxes	2,163,248	2,163,248	1,981,807	(181,441)
Permits, privilege fees, and regulatory licenses	41,762	41,762	41,617	(145)
Fines and forfeitures	37,100	37,100	11,634	(25,466)
Revenue from the use of money and property	140,754	140,756	115,125	(25,631)
Charges for services	600,701	600,701	569,302	(31,399)
Miscellaneous	155,625	172,751	171,794	(957)
Recovered costs	2,005,426	2,070,796	2,307,481	236,685
Intergovernmental:				
Commonwealth	5,981,544	6,247,193	6,083,496	(163,697)
Federal	1,821,332	1,821,332	1,932,187	110,855
Total revenues	<u>\$ 27,691,749</u>	<u>\$ 28,039,896</u>	<u>\$ 28,097,524</u>	<u>\$ 57,628</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,758,575	\$ 2,141,685	\$ 1,995,494	\$ 146,191
Judicial administration	811,783	934,686	926,525	8,161
Public safety	5,207,820	5,496,548	5,195,900	300,648
Public works	707,325	749,607	699,683	49,924
Health and welfare	5,290,311	5,296,965	5,551,415	(254,450)
Education	8,371,875	8,719,354	6,577,347	2,142,007
Parks, recreation, and cultural	590,936	704,755	685,394	19,361
Community development	2,212,165	2,272,450	2,029,263	243,187
Nondepartmental	531,900	456,260	356,710	99,550
Debt service:				
Principal retirement	1,013,664	1,013,664	1,074,786	(61,122)
Interest and other fiscal charges	178,882	178,882	191,743	(12,861)
Total expenditures	<u>\$ 26,675,236</u>	<u>\$ 27,964,856</u>	<u>\$ 25,284,260</u>	<u>\$ 2,680,596</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 1,016,513</u>	<u>\$ 75,040</u>	<u>\$ 2,813,264</u>	<u>\$ 2,738,224</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 7,210	\$ 7,210
Transfers out	(1,648,091)	(1,295,405)	(938,205)	357,200
Total other financing sources (uses)	<u>\$ (1,648,091)</u>	<u>\$ (1,295,405)</u>	<u>\$ (930,995)</u>	<u>\$ 364,410</u>
Net change in fund balances	\$ (631,578)	\$ (1,220,365)	\$ 1,882,269	\$ 3,102,634
Fund balances - beginning	631,578	1,220,365	1,619,903	399,538
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,502,172</u>	<u>\$ 3,502,172</u>

County of Giles, Virginia
Schedule of OPEB Funding Progress
For the Year Ended June 30, 2017

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)
1/1/2017	\$ -	\$ 1,184,900	1,184,900	0.00%	\$ 5,605,500	21.14%
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%

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)
1/1/2017	\$ -	\$ 4,492,300	4,492,300	0.00%	\$ 11,037,600	40.70%
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%

County of Giles, Virginia
Schedule of Changes in Net Pension Liability and Related Ratios
Primary Government
For the Years Ended June 30, 2015 through June 30, 2017

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

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

County of Giles, Virginia
Schedule of Changes in Net Pension Liability and Related Ratios
Industrial Development Authority
For the Years Ended June 30, 2015 through June 30, 2017

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

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

County of Giles, Virginia
Schedule of Changes in Net Pension Liability and Related Ratios
Component Unit School Board (nonprofessional)
For the Years Ended June 30, 2015 through June 30, 2017

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

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

County of Giles, Virginia
Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan
For the Years Ended June 30, 2015 through June 30, 2017

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

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

County of Giles, Virginia
Schedule of Employer Contributions
For the Years Ended June 30, 2008 through June 30, 2017

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					
2017	\$ 634,582	\$ 634,582	\$ -	\$ 5,604,478	11.32%
2016	658,143	658,143	-	5,447,257	12.08%
2015	543,957	543,957	-	4,637,626	11.73%
2014	541,511	541,511	-	4,475,295	12.10%
2013	493,406	493,406	-	4,077,736	12.10%
2012	364,517	364,517	-	3,727,167	9.78%
2011	377,548	377,548	-	3,860,410	9.78%
2010	223,900	223,900	-	3,976,909	5.63%
2009	225,204	225,204	-	4,000,078	5.63%
2008	171,864	171,864	-	3,870,808	4.44%
Component Unit School Board (nonprofessional)					
2017	\$ 35,143	\$ 35,143	\$ -	\$ 371,866	9.45%
2016	46,766	46,766	-	380,778	12.28%
2015	141,960	141,960	-	1,158,779	12.25%
2014	181,469	181,469	-	1,156,588	15.69%
2013	170,853	170,853	-	1,088,927	15.69%
2012	132,884	132,884	-	1,058,837	12.55%
2011	131,890	131,890	-	1,050,914	12.55%
2010	135,141	135,141	-	1,218,586	11.09%
2009	136,203	136,203	-	1,228,165	11.09%
2008	167,410	167,410	-	1,245,610	13.44%
Component Unit School Board (professional)					
2016	\$ 1,752,000	\$ 1,752,000	\$ -	\$ 12,130,823	14.44%
2016	1,662,000	1,662,000	-	11,912,257	13.95%
2015	1,682,000	1,682,000	-	11,641,598	14.45%
2014	1,338,453	1,338,453	-	11,479,014	11.66%
2013	1,274,429	1,274,429	-	10,929,923	11.66%
2012	1,228,780	1,228,780	-	19,412,006	6.33%
2011	982,990	982,990	-	11,157,662	8.81%
2010	1,322,115	1,322,115	-	15,006,981	8.81%
2009	1,617,526	1,617,526	-	18,360,114	8.81%
2008	1,749,891	1,749,891	-	16,989,233	10.30%
Component Unit IDA					
2017	\$ 10,340	\$ 10,340	\$ -	\$ 102,799	10.06%
2016	10,905	10,905	-	72,944	14.95%
2015	7,284	7,284	-	62,102	11.73%

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

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

County of Giles, Virginia
Notes to Required Supplementary Information
For the Year Ended June 30, 2017

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2016 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

Other Supplementary Information

County of Giles, Virginia
Capital Improvements Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2017

	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	\$ -	\$ -	\$ 7,215	\$ 7,215
Intergovernmental:				
Commonwealth	-	-	80,262	80,262
Total revenues	\$ -	\$ -	\$ 87,477	\$ 87,477
EXPENDITURES				
Current:				
General government administration	\$ 20,000	\$ -	\$ -	\$ -
Public works	3,500,000	3,500,000	2,491,702	1,008,298
Education	-	-	420,937	(420,937)
Community development	100,000	100,000	64,007	35,993
Debt service:				
Principal retirement	927,818	780,321	452,846	327,475
Interest and other fiscal charges	-	181,750	717,429	(535,679)
Total expenditures	\$ 4,547,818	\$ 4,562,071	\$ 4,146,921	\$ 415,150
Excess (deficiency) of revenues over (under) expenditures	\$ (4,547,818)	\$ (4,562,071)	\$ (4,059,444)	\$ 502,627
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 1,026,720	\$ 680,845	\$ 535,732	\$ (145,113)
Issuance of capital leases	-	360,128	486,810	126,682
Total other financing sources (uses)	\$ 1,026,720	\$ 1,040,973	\$ 1,022,542	\$ (18,431)
Net change in fund balances	\$ (3,521,098)	\$ (3,521,098)	\$ (3,036,902)	\$ 484,196
Fund balances - beginning	3,521,098	3,521,098	4,500,860	979,762
Fund balances - ending	\$ -	\$ -	\$ 1,463,958	\$ 1,463,958

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, 2017

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
ASSETS				
Cash and cash equivalents				
Special Welfare Fund	\$ 59,934	\$ 161,984	\$ (147,293)	\$ 74,625
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
LIABILITIES				
Amounts held for Social Services clients	\$ 59,934	\$ 161,984	\$ (147,293)	\$ 74,625
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL
BOARD

MAJOR GOVERNMENTAL FUNDS

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

County of Giles, Virginia
Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2017

		School Operating Fund
ASSETS		
Cash and cash equivalents	\$	2,499,987
Cash in custody of others		425,782
Receivables (net of allowance for uncollectibles):		
Accounts receivable		10,479
Due from other governmental units		737,017
Inventories		42,647
Prepaid items		160,837
Total assets	\$	<u>3,876,749</u>
LIABILITIES		
Accounts payable	\$	14,873
Accrued payroll		2,198,669
Total liabilities	\$	<u>2,213,542</u>
FUND BALANCES		
Nonspendable:		
Prepaid items	\$	160,837
Inventory		42,647
Committed:		1,459,723
Total fund balances	\$	<u>1,663,207</u>
Total liabilities and fund balances	\$	<u>3,876,749</u>
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:		
Total fund balances per above	\$	1,663,207
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Land	\$	473,652
Buildings and improvements		2,567,502
Machinery, equipment, and vehicles		<u>1,445,801</u>
		4,486,955
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		(894,583)
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.		
		1,787,143
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	\$	(532,595)
Compensated absences		(320,917)
Net pension liability		(23,290,503)
Deferred outflows related to measurement of net pension liability		<u>1,692,967</u>
		(22,451,048)
Net position of governmental activities	\$	<u>(15,408,326)</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, 2017

	School Operating Fund
REVENUES	
Revenue from the use of money and property	\$ 4,388
Charges for services	578,663
Miscellaneous	86,197
Recovered costs	254,416
Intergovernmental:	
Local government	5,439,349
Commonwealth	15,326,529
Federal	2,420,747
Total revenues	<u>\$ 24,110,289</u>
EXPENDITURES	
Current:	
Education	\$ 25,478,394
Total expenditures	<u>\$ 25,478,394</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,368,105)</u>
Net change in fund balances	\$ (1,368,105)
Fund balances - beginning	<u>3,031,312</u>
Fund balances - ending	<u><u>\$ 1,663,207</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	\$ (1,368,105)
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	\$ 496,299
Depreciation expense	<u>(663,521)</u> (167,222)
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	758,774
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	\$ 22,516
(Increase) decrease in net OPEB obligation	(44,953)
Change in net pension liability	(2,386,383)
Change in deferred outflows related to pension payments subsequent to the measurement date	78,377
Change in deferred inflows related to measurement of the net pension liability	<u>1,220,267</u> (1,110,176)
Change in net position of governmental activities	<u><u>\$ (1,886,729)</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, 2017

	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	\$ 4,388	\$ 4,238
Charges for services	557,199	557,199	578,663	21,464
Miscellaneous	126,676	126,676	86,197	(40,479)
Recovered costs	88,136	173,247	254,416	81,169
Intergovernmental:				
Local government	6,968,431	7,127,385	5,439,349	(1,688,036)
Commonwealth	15,512,226	15,572,926	15,326,529	(246,397)
Federal	2,300,121	2,300,121	2,420,747	120,626
Total revenues	\$ 25,552,939	\$ 25,857,704	\$ 24,110,289	\$ (1,747,415)
EXPENDITURES				
Current:				
Education	\$ 25,552,939	\$ 25,857,704	\$ 25,478,394	\$ 379,310
Total expenditures	\$ 25,552,939	\$ 25,857,704	\$ 25,478,394	\$ 379,310
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ (1,368,105)	\$ (1,368,105)
Net change in fund balances	\$ -	\$ -	\$ (1,368,105)	\$ (1,368,105)
Fund balances - beginning	-	-	3,031,312	3,031,312
Fund balances - ending	\$ -	\$ -	\$ 1,663,207	\$ 1,663,207

Supporting Schedules

County of Giles, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 6,713,114	\$ 6,713,114	\$ 6,657,087	\$ (56,027)
Real and personal public service corporation taxes	515,632	515,632	680,295	164,663
Personal property taxes	2,212,695	2,212,695	2,249,025	36,330
Mobile home taxes	49,700	49,700	44,721	(4,979)
Machinery and tools taxes	4,915,997	4,915,997	4,865,129	(50,868)
Merchant's capital	194,691	194,691	207,637	12,946
Common carrier	6,928	6,928	11,476	4,548
Penalties	90,500	90,500	101,697	11,197
Interest	45,000	45,000	66,014	21,014
Total general property taxes	\$ 14,744,257	\$ 14,744,257	\$ 14,883,081	\$ 138,824
Other local taxes:				
Local sales and use taxes	\$ 1,500,000	\$ 1,500,000	\$ 1,288,101	\$ (211,899)
Consumers' utility taxes	241,063	241,063	242,071	1,008
Consumption taxes	53,753	53,753	50,625	(3,128)
Gross receipts tax	5,000	5,000	8,769	3,769
Motor vehicle licenses	208,583	208,583	206,269	(2,314)
Local tax on deeds	54,000	54,000	68,641	14,641
Hotel and motel room taxes	100,849	100,849	117,331	16,482
Total other local taxes	\$ 2,163,248	\$ 2,163,248	\$ 1,981,807	\$ (181,441)
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 7,000	\$ 7,000	\$ 4,798	\$ (2,202)
Land use application fees	400	400	568	168
Transfer fees	562	562	583	21
Variance and rezoning fees	3,500	3,500	8,070	4,570
Building permits	30,000	30,000	27,598	(2,402)
Other permits and other licenses	300	300	-	(300)
Total permits, privilege fees, and regulatory licenses	\$ 41,762	\$ 41,762	\$ 41,617	\$ (145)
Fines and forfeitures:				
Court fines and forfeitures	\$ 37,100	\$ 37,100	\$ 11,634	\$ (25,466)
Revenue from use of money and property:				
Revenue from use of money	\$ 90,109	\$ 90,111	\$ 66,392	\$ (23,719)
Revenue from use of property	50,645	50,645	48,733	(1,912)
Total revenue from use of money and property	\$ 140,754	\$ 140,756	\$ 115,125	\$ (25,631)
Charges for services:				
Charges for law enforcement and traffic control	\$ 6,476	\$ 6,476	\$ 11,540	\$ 5,064
Charges for courthouse maintenance	31,000	31,000	33,070	2,070
Charges for processing arrest fee	2,200	2,200	2,260	60
Charges for Commonwealth's Attorney	2,650	2,650	4,823	2,173
Charges for nonconsecutive jail and blood test/dna fees	375	375	434	59
Charges for law library	1,500	1,500	1,626	126

County of Giles, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Charges for services: (Continued)				
Charges for copies	\$ 4,000	\$ 4,000	\$ 4,092	\$ 92
Charges for courtroom security fee	57,000	57,000	60,495	3,495
Charges for PSA billings	56,000	56,000	56,676	676
Charges for parks and recreation	246,500	246,500	215,222	(31,278)
Charges for US forest patrols	5,000	5,000	6,625	1,625
Charges for wellness center fees	178,000	178,000	161,591	(16,409)
Other charges for services	10,000	10,000	10,848	848
Total charges for services	\$ 600,701	\$ 600,701	\$ 569,302	\$ (31,399)
Miscellaneous:				
Miscellaneous	\$ 155,625	\$ 172,751	\$ 53,538	\$ (119,213)
ACCE Donations	-	-	118,256	118,256
Total miscellaneous	\$ 155,625	\$ 172,751	\$ 171,794	\$ (957)
Recovered costs:				
School resource officer	\$ 377,102	\$ 377,102	\$ 257,294	\$ (119,808)
Health insurance recoveries	97,080	134,100	84,793	(49,307)
Health department and Social Services	74,200	74,200	221,013	146,813
DMV license agent reimbursement	29,800	29,800	37,876	8,076
PSA recovered costs	61,000	61,000	63,574	2,574
Bicentennial Celebration	-	-	75	75
Collections	44,000	44,000	48,483	4,483
Schools	1,165,624	1,165,624	1,123,575	(42,049)
Fuel reimbursements	145,620	153,800	142,443	(11,357)
Other recovered costs	11,000	31,170	328,355	297,185
Total recovered costs	\$ 2,005,426	\$ 2,070,796	\$ 2,307,481	\$ 236,685
Total revenue from local sources	\$ 19,888,873	\$ 19,971,371	\$ 20,081,841	\$ 110,470
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' tax	\$ 135,000	\$ 135,000	\$ 120,124	\$ (14,876)
Mobile home titling tax	16,000	16,000	14,040	(1,960)
Animal friendly plates	305	305	290	(15)
Motor vehicle rental tax	2,100	2,100	2,110	10
State recordation tax	36,000	36,000	41,594	5,594
Communications sales taxes	253,776	253,776	238,814	(14,962)
Personal property tax relief funds	1,227,860	1,227,860	1,227,860	-
Total noncategorical aid	\$ 1,671,041	\$ 1,671,041	\$ 1,644,832	\$ (26,209)
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 284,022	\$ 321,050	\$ 350,308	\$ 29,258
Sheriff	984,732	984,732	954,185	(30,547)
Commissioner of revenue	113,482	113,482	112,721	(761)
Treasurer	101,113	101,113	99,038	(2,075)
Registrar/electoral board	35,155	35,155	37,030	1,875
Clerk of circuit court	225,914	225,914	226,813	899
Total shared expenses	\$ 1,744,418	\$ 1,781,446	\$ 1,780,095	\$ (1,351)

County of Giles, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Other categorical aid: (Continued)				
Public assistance and welfare administration	\$ 1,164,214	\$ 1,164,214	\$ 1,197,689	\$ 33,475
State and Local Foster Care	-	-	6,139	6,139
Comprehensive Services Act program	1,213,700	1,213,700	1,186,231	(27,469)
Litter control grant	9,577	9,577	9,378	(199)
Juvenile justice	8,962	8,962	9,243	281
Two-for-Life	16,048	16,048	13,804	(2,244)
Fire programs	38,084	38,084	33,926	(4,158)
Records Preservation	-	58,621	58,621	-
Circuit court records grant	-	20,000	-	(20,000)
911 wireless grant	40,500	40,500	42,810	2,310
VA information tech agency grant	-	-	77,587	77,587
Other categorical aid	75,000	225,000	23,141	(201,859)
Total other categorical aid	\$ 2,566,085	\$ 2,794,706	\$ 2,658,569	\$ (136,137)
Total categorical aid	\$ 4,310,503	\$ 4,576,152	\$ 4,438,664	\$ (137,488)
Total revenue from the Commonwealth	\$ 5,981,544	\$ 6,247,193	\$ 6,083,496	\$ (163,697)
Revenue from the federal government:				
Non-categorical aid:				
Payments in lieu of taxes	\$ 140,000	\$ 140,000	\$ 109,002	\$ (30,998)
Categorical aid:				
Public assistance and welfare administration	\$ 1,675,332	\$ 1,675,332	\$ 1,697,693	\$ 22,361
Comprehensive Services Act program	-	-	119,822	119,822
State and community highway safety grants	6,000	6,000	5,670	(330)
Total categorical aid	\$ 1,681,332	\$ 1,681,332	\$ 1,823,185	\$ 141,853
Total revenue from the federal government	\$ 1,821,332	\$ 1,821,332	\$ 1,932,187	\$ 110,855
Total General Fund	\$ 27,691,749	\$ 28,039,896	\$ 28,097,524	\$ 57,628
Capital Projects Fund:				
County Capital Improvements Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 7,215	\$ 7,215
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
VDOT Grants	\$ -	\$ -	\$ 80,262	\$ 80,262
Total revenue from the Commonwealth	\$ -	\$ -	\$ 80,262	\$ 80,262
Total County Capital Improvements Fund	\$ -	\$ -	\$ 87,477	\$ 87,477
Total Primary Government	\$ 27,691,749	\$ 28,039,896	\$ 28,185,001	\$ 145,105

County of Giles, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 4,136	\$ 4,136
Revenue from the use of property	150	150	252	102
Total revenue from use of money and property	\$ 150	\$ 150	\$ 4,388	\$ 4,238
Charges for services:				
Charges for education	\$ 27,500	\$ 27,500	\$ 45,597	\$ 18,097
Cafeteria sales	462,899	462,899	439,006	(23,893)
Transportation of pupils	5,300	5,300	-	(5,300)
Other charges for services	61,500	61,500	94,060	32,560
Total charges for services	\$ 557,199	\$ 557,199	\$ 578,663	\$ 21,464
Miscellaneous:				
Miscellaneous	\$ 126,676	\$ 126,676	\$ 86,197	\$ (40,479)
Recovered costs:				
Rebates and refunds	\$ 88,136	\$ 173,247	\$ 254,416	\$ 81,169
Total revenue from local sources	\$ 772,161	\$ 857,272	\$ 923,664	\$ 66,392
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Giles, Virginia	\$ 6,968,431	\$ 7,127,385	\$ 5,439,349	\$ (1,688,036)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 2,788,035	\$ 2,788,035	\$ 2,730,520	\$ (57,515)
Basic school aid	7,683,011	7,683,011	7,714,742	31,731
Remedial summer education	19,399	19,399	20,005	606
Regular foster care	37,641	37,641	-	(37,641)
Gifted and talented	83,323	83,323	83,149	(174)
Remedial education	274,271	274,271	273,700	(571)
School food	2,544	2,544	22,787	20,243
Special education	921,760	921,760	919,840	(1,920)
Textbook payment	190,566	190,566	190,170	(396)
Vocational education - occupational/technology	2,600	2,600	38,786	36,186
Vocational standards of quality payments	420,087	420,087	419,212	(875)
Vocational adult education	74,280	74,280	18,014	(56,266)
Social security fringe benefits	505,145	505,145	504,093	(1,052)
Retirement fringe benefits	1,265,797	1,265,797	1,037,635	(228,162)
Group life fringe benefits	34,718	34,718	34,646	(72)
State lottery payments	-	-	90,412	90,412
Early reading intervention	68,746	68,746	52,152	(16,594)
Homebound education	-	-	21,385	21,385
Virginia preschool initiative	97,829	97,829	97,829	-
Primary class size	245,614	245,614	254,872	9,258
Technology	-	-	2,391	2,391
Standards of Learning algebra readiness	36,460	36,460	36,587	127

County of Giles, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Vocational education - equipment	\$ 4,500	\$ 4,500	\$ 4,644	\$ 144
CTE Certification Grant	-	60,700	41,971	(18,729)
E-rate	92,000	92,000	106,321	14,321
Special education - foster children	15,829	15,829	7,088	(8,741)
At risk payments	211,336	211,336	211,094	(242)
GED prep program	7,859	7,859	8,418	559
English as a second language	-	-	2,045	2,045
VPSA technology grants	234,800	234,800	251,874	17,074
Supplemental support	124,817	124,817	-	(124,817)
Project graduation	-	-	6,650	6,650
Other state funds	69,259	69,259	123,497	54,238
Total categorical aid	\$ 15,512,226	\$ 15,572,926	\$ 15,326,529	\$ (246,397)
Total revenue from the Commonwealth	\$ 15,512,226	\$ 15,572,926	\$ 15,326,529	\$ (246,397)
Revenue from the federal government:				
Categorical aid:				
Schools and roads	\$ 83,581	\$ 83,581	\$ 552	\$ (83,029)
Title I	444,665	444,665	404,425	(40,240)
Title VI-B, special education flow-through	503,635	503,635	492,249	(11,386)
Preschool expansion grant	559,755	559,755	630,554	70,799
Vocational education	36,294	36,294	36,829	535
Summer food service program	20,965	20,965	-	(20,965)
Title II	94,852	94,852	77,591	(17,261)
Special Education - preschool	14,374	14,374	15,457	1,083
National school lunch program	542,000	542,000	548,801	6,801
School breakfast program	-	-	205,128	205,128
Forest reserve payments	-	-	9,161	9,161
Total categorical aid	\$ 2,300,121	\$ 2,300,121	\$ 2,420,747	\$ 120,626
Total revenue from the federal government	\$ 2,300,121	\$ 2,300,121	\$ 2,420,747	\$ 120,626
Total Discretely Presented Component Unit - School Board	\$ 25,552,939	\$ 25,857,704	\$ 24,110,289	\$ (1,747,415)

County of Giles, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

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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	\$ 126,719	\$ 140,558	\$ 138,904	\$ 1,654
General and financial administration:				
County administrator	\$ 541,886	\$ 660,269	\$ 657,531	\$ 2,738
Legal services	50,000	145,905	145,631	274
Commissioner of revenue	342,189	331,189	328,744	2,445
Treasurer	490,648	608,206	525,216	82,990
PSA billing and collection	20,265	60,965	13,924	47,041
Department of motor vehicles	16,544	16,544	11,106	5,438
Total general and financial administration	\$ 1,461,532	\$ 1,823,078	\$ 1,682,152	\$ 140,926
Board of elections:				
Registrar	\$ 170,324	\$ 178,049	\$ 174,438	\$ 3,611
Total general government administration	\$ 1,758,575	\$ 2,141,685	\$ 1,995,494	\$ 146,191
Judicial administration:				
Courts:				
Circuit court	\$ 7,750	\$ 6,990	\$ 5,806	\$ 1,184
General district court	19,313	27,730	24,047	3,683
Magistrate	200	200	-	200
Juvenile and domestic court	19,050	15,050	13,910	1,140
Clerk of the circuit court	379,766	434,387	434,055	332
Law library	4,000	5,125	5,056	69
Total courts	\$ 430,079	\$ 489,482	\$ 482,874	\$ 6,608
Commonwealth's attorney:				
Commonwealth's attorney	\$ 381,704	\$ 445,204	\$ 443,651	\$ 1,553
Total judicial administration	\$ 811,783	\$ 934,686	\$ 926,525	\$ 8,161
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 2,268,626	\$ 2,349,394	\$ 2,246,911	\$ 102,483
Criminal justice training	19,500	19,500	19,125	375
Total law enforcement and traffic control	\$ 2,288,126	\$ 2,368,894	\$ 2,266,036	\$ 102,858
Fire and rescue services:				
Fire and rescue	\$ 205,593	\$ 234,135	\$ 239,138	\$ (5,003)
GIS system development	113,117	106,000	105,974	26
Ambulance service	448,000	464,786	459,783	5,003
Total fire and rescue services	\$ 766,710	\$ 804,921	\$ 804,895	\$ 26
Correction and detention:				
New River Valley Regional Jail	\$ 1,125,466	\$ 1,001,258	\$ 1,000,057	\$ 1,201
NRV juvenile detention	130,713	132,614	132,613	1
Total correction and detention	\$ 1,256,179	\$ 1,133,872	\$ 1,132,670	\$ 1,202
Inspections:				
Building official	\$ 131,544	\$ 130,544	\$ 129,158	\$ 1,386

County of Giles, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

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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)				
Other protection:				
Animal control	\$ 142,981	\$ 213,459	\$ 209,552	\$ 3,907
Medical examiner	500	266	180	86
Emergency services	119,872	119,872	-	119,872
Inmate work program	192,741	193,212	190,555	2,657
Haz-mat services	6,592	3,392	3,364	28
Probation office	-	68,540	64,087	4,453
School Resource Officer	291,035	441,035	383,423	57,612
US forest service	11,540	9,541	3,552	5,989
Law enforcement grants	-	9,000	8,428	572
Total other protection	\$ 765,261	\$ 1,058,317	\$ 863,141	\$ 195,176
Total public safety	\$ 5,207,820	\$ 5,496,548	\$ 5,195,900	\$ 300,648
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ 150	\$ 550	\$ 500	\$ 50
Sanitation and waste removal:				
Landfill monitoring	\$ 72,400	\$ 47,845	\$ 47,759	\$ 86
Weed control	3,000	3,000	3,000	-
Total sanitation and waste removal	\$ 75,400	\$ 50,845	\$ 50,759	\$ 86
Maintenance of general buildings and grounds:				
General properties	\$ 631,775	\$ 698,212	\$ 648,424	\$ 49,788
Total public works	\$ 707,325	\$ 749,607	\$ 699,683	\$ 49,924
Health and welfare:				
Health:				
Supplement of local health department	\$ 126,000	\$ 127,428	\$ 127,428	\$ -
Mental health and mental retardation:				
Community services board	\$ 52,994	\$ 52,994	\$ 53,153	\$ (159)
Welfare:				
Comprehensive services	\$ 1,733,177	\$ 1,741,077	\$ 1,923,502	\$ (182,425)
Welfare administration and public assistance	3,230,002	3,231,802	3,304,949	(73,147)
Fairview home	18,865	18,865	18,316	549
NRVSS nutrition program	8,900	3,100	3,151	(51)
NRV disability services board	1,818	1,818	1,818	-
New River community action	15,082	15,082	15,082	-
Women's resource center	5,574	5,574	5,574	-
Free clinic of the NRV, Inc.	8,000	8,000	8,000	-
Area agency on aging	8,075	8,075	8,075	-
Senior center	81,024	81,025	80,242	783
Literacy volunteers of America	550	550	550	-
NRV cares	250	250	250	-
Total welfare	\$ 5,111,317	\$ 5,116,543	\$ 5,370,834	\$ (254,291)
Total health and welfare	\$ 5,290,311	\$ 5,296,965	\$ 5,551,415	\$ (254,450)

County of Giles, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

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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)				
Education:				
Educational costs:				
Contributions to Community College	\$ 8,336	\$ 8,336	\$ 8,336	\$ -
Contribution to County School Board	7,127,385	7,471,404	5,329,596	2,141,808
School Transfer Employees	1,236,154	1,239,614	1,239,415	199
Total education	<u>\$ 8,371,875</u>	<u>\$ 8,719,354</u>	<u>\$ 6,577,347</u>	<u>\$ 2,142,007</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Swimming pool	\$ 730	\$ 730	\$ 26	\$ 704
Golf course	184,144	204,859	190,222	14,637
Castle Rock operations	109,350	154,050	154,748	(698)
Wellness center	184,669	224,291	228,781	(4,490)
Other recreation and cultural enrichment	82,793	91,575	82,339	9,236
Total parks and recreation	<u>\$ 561,686</u>	<u>\$ 675,505</u>	<u>\$ 656,144</u>	<u>\$ 19,361</u>
Library:				
Contribution to county library	\$ 29,250	\$ 29,250	\$ 29,250	\$ -
Total parks, recreation, and cultural	<u>\$ 590,936</u>	<u>\$ 704,755</u>	<u>\$ 685,394</u>	<u>\$ 19,361</u>
Community development:				
Planning and community development:				
County planner	\$ 89,244	\$ 86,480	\$ 85,889	\$ 591
Planning commission	20,026	26,376	26,190	186
Contribution to IDA	1,796,843	1,773,188	1,456,317	316,871
Zoning Board	538	38	-	38
Tourism	100,806	144,074	144,074	-
Other community development	120,550	160,136	235,136	(75,000)
Total planning and community development	<u>\$ 2,128,007</u>	<u>\$ 2,190,292</u>	<u>\$ 1,947,606</u>	<u>\$ 242,686</u>
Environmental management:				
Contributions to soil and water districts	\$ 13,000	\$ 13,000	\$ 13,000	\$ -
Cooperative extension program:				
Extension office	\$ 71,158	\$ 69,158	\$ 68,657	\$ 501
Total community development	<u>\$ 2,212,165</u>	<u>\$ 2,272,450</u>	<u>\$ 2,029,263</u>	<u>\$ 243,187</u>
Nondepartmental:				
Fringe benefits and fuel charges	\$ 531,900	\$ 456,260	\$ 356,710	\$ 99,550
Debt service:				
Principal retirement	\$ 1,013,664	\$ 1,013,664	\$ 1,074,786	\$ (61,122)
Interest and other fiscal charges	178,882	178,882	191,743	(12,861)
Total debt service	<u>\$ 1,192,546</u>	<u>\$ 1,192,546</u>	<u>\$ 1,266,529</u>	<u>\$ (73,983)</u>
Total General Fund	<u>\$ 26,675,236</u>	<u>\$ 27,964,856</u>	<u>\$ 25,284,260</u>	<u>\$ 2,680,596</u>

County of Giles, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

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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	\$ 20,000	\$ -	\$ -	\$ -
Public Works:				
Public safety building	\$ 3,500,000	\$ 3,500,000	\$ 2,491,702	\$ 1,008,298
Total Public Works	\$ 3,500,000	\$ 3,500,000	\$ 2,491,702	\$ 1,008,298
Education:				
Educational costs:				
Contribution to County School Board	\$ -	\$ -	\$ 109,753	\$ (109,753)
Buses	-	-	311,184	(311,184)
Total Education	\$ -	\$ -	\$ 420,937	\$ (420,937)
Community development:				
Planning and community development:				
Economic development	\$ -	\$ -	\$ 2,698	\$ (2,698)
VDOT Sharing Project	100,000	100,000	61,309	38,691
Total community development	\$ 100,000	\$ 100,000	\$ 64,007	\$ 35,993
Debt service:				
Principal retirement	\$ 927,818	\$ 780,321	\$ 452,846	\$ 327,475
Interest and other fiscal charges	-	181,750	717,429	(535,679)
Total debt service	\$ 927,818	\$ 962,071	\$ 1,170,275	\$ (208,204)
Total County Capital Improvements Fund	\$ 4,547,818	\$ 4,562,071	\$ 4,146,921	\$ 415,150
Total Primary Government	\$ 31,223,054	\$ 32,526,927	\$ 29,431,181	\$ 3,095,746
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Education:				
Instruction costs:				
Instruction costs	\$ 18,433,215	\$ 18,238,861	\$ 17,710,930	\$ 527,931
Operating costs:				
Attendance and health services	\$ 1,350,806	\$ 1,322,866	\$ 1,279,980	\$ 42,886
Pupil transportation	969,144	1,281,822	1,236,510	45,312
Operation and maintenance of school plant	2,433,756	2,613,150	2,620,309	(7,159)
Facilities	-	85,111	79,524	5,587
Technology	1,216,018	1,294,936	1,372,747	(77,811)
Total operating costs	\$ 5,969,724	\$ 6,597,885	\$ 6,589,070	\$ 8,815
School food services:				
Administration of school food program	\$ 1,150,000	\$ 1,020,958	\$ 1,178,394	\$ (157,436)
Total Discretely Presented Component Unit - School Board	\$ 25,552,939	\$ 25,857,704	\$ 25,478,394	\$ 379,310

Other Statistical Information

Table 1

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Development (1)	Non-departmental	Interest on Long-Term Debt	Water Department	Total
2016-17	\$ 1,951,788	\$ 974,122	\$ 4,964,595	\$ 623,864	\$ 5,461,798	\$ 7,225,328	\$ 671,035	\$ 1,928,771	\$ -	\$ 743,619	\$ 1,561,238	\$ 26,106,158
2015-16	1,441,831	797,006	4,007,034	1,319,630	4,795,609	8,788,324	528,821	1,816,107	-	927,185	1,649,943	26,071,490
2014-15	1,515,689	775,707	4,492,726	913,182	4,327,725	8,451,877	616,476	1,068,553	-	924,761	1,648,454	24,735,150
2013-14	1,697,198	810,317	4,662,815	897,488	4,107,908	7,837,326	742,703	933,299	-	961,132	1,737,460	24,387,646
2012-13	1,040,876	704,273	5,055,111	595,826	3,742,017	7,869,352	741,059	803,350	-	1,338,211	1,791,446	23,681,521
2011-12	1,465,212	749,059	3,858,811	433,301	3,815,866	6,418,750	764,944	427,820	-	1,109,865	1,633,876	20,677,504
2010-11	1,612,399	456,903	3,937,646	382,840	3,467,252	6,117,468	1,072,522	346,131	-	1,217,615	1,543,650	20,154,426
2009-10	1,557,685	705,573	3,764,801	438,175	3,069,055	6,222,250	861,434	5,036,422	-	1,261,108	1,530,169	24,446,672
2008-09	1,602,292	703,829	3,856,862	476,772	3,058,974	5,765,131	839,706	323,454	-	834,439	1,595,807	19,057,266
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

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

Table 2

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

Fiscal Year	PROGRAM REVENUES			GENERAL REVENUES									
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Unrestricted Investment Earnings	Miscellaneous	Contributions Not Restricted to Specific Programs	Gain on Sale of Assets	Total	
2016-17	\$ 1,305,764	\$ 6,342,111	\$ -	\$ 14,956,758	\$ 1,981,807	\$ -	\$ -	\$ 123,129	\$ 171,794	\$ 1,753,834	\$ -	\$ 26,635,197	
2015-16	1,282,060	5,559,330	162,150	13,738,261	2,104,456	-	-	132,912	160,325	1,746,646	-	24,886,140	
2014-15	1,318,822	5,047,053	50,000	12,826,895	2,154,391	-	-	161,700	38,211	1,823,014	-	23,420,086	
2013-14	1,231,925	5,001,133	54,727	12,476,520	1,956,894	-	-	170,803	43,716	1,767,544	-	22,703,262	
2012-13	1,207,568	4,493,402	113,826	12,073,980	1,919,216	-	-	237,267	47,256	1,875,527	14,027	21,982,069	
2011-12	1,326,038	4,539,944	170,824	11,877,251	1,746,202	-	-	275,397	24,655	1,695,160	-	21,655,471	
2010-11	1,158,123	4,203,780	873,251	11,722,260	1,749,017	-	-	266,669	462,209	1,689,126	-	22,124,435	
2009-10	1,186,168	4,285,122	496,558	11,187,893	1,664,585	-	-	317,919	35,136	1,585,229	-	20,758,610	
2008-09	1,285,528	4,388,647	221,660	11,050,675	1,912,001	-	-	372,250	994,633	1,585,670	-	21,811,064	
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	

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	Parks, Recreation, and Cultural				Community Development (3)	Non-departmental	Debt Service	Total								
							Education (2)															
2016-17	\$	1,995,494	\$	926,525	\$	5,195,900	\$	3,191,385	\$	5,551,415	\$	27,037,329	\$	685,394	\$	2,093,270	\$	356,710	\$	2,436,804	\$	49,470,226
2015-16		1,997,836		784,958		4,623,190		1,353,497		4,901,844		26,086,780		693,810		1,734,767		563,217		2,918,832		45,658,731
2014-15		1,973,055		765,051		4,974,892		958,047		4,328,086		24,349,938		662,203		965,433		571,052		2,872,775		42,420,532
2013-14		1,715,246		751,023		4,859,461		764,931		4,183,873		24,392,929		736,620		847,845		678,231		2,656,697		41,586,856
2012-13 (5)		1,412,456		752,773		5,562,669		599,672		3,851,966		23,806,787		704,999		721,978		880,871		2,620,748		40,914,919
2011-12		1,489,763		706,626		4,011,209		421,212		3,865,490		22,398,858		743,801		344,123		743,593		2,912,690		37,637,365
2010-11 (4)		1,436,110		726,488		4,153,468		420,421		3,517,234		21,974,561		744,911		262,884		696,032		2,214,272		36,146,381
2009-10		1,520,756		702,042		3,833,304		559,201		3,269,547		24,034,314		818,511		4,961,680		406,302		2,749,942		42,855,599
2008-09		1,597,862		695,441		3,849,643		441,893		3,058,680		24,734,563		795,081		257,520		352,012		2,053,898		37,836,593
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

(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.

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
2016-17	\$ 14,883,081	\$ 1,981,807	\$ 41,617	\$ 11,634	\$ 126,728	\$ 1,147,965	\$ 257,991	\$ 2,561,897	\$ 25,843,221	\$ 46,855,941
2015-16	13,716,313	2,104,456	44,814	33,190	131,849	1,042,098	179,437	2,296,096	25,285,297	44,833,550
2014-15	12,739,163	2,154,391	93,856	37,418	159,778	985,066	168,929	1,530,109	24,203,838	42,072,548
2013-14	12,485,742	1,956,894	31,809	62,616	167,140	1,039,479	103,345	1,326,136	23,700,159	40,873,320
2012-13	12,105,056	1,919,216	50,540	105,492	236,113	1,059,533	93,685	1,529,023	23,403,966	40,502,624
2011-12	11,857,303	1,746,202	42,986	31,194	275,735	1,150,905	123,361	1,174,262	23,110,381	39,512,329
2010-11	11,807,023	1,749,017	26,963	26,837	267,339	1,170,525	655,374	1,147,560	23,095,492	39,946,130
2009-10	11,041,741	1,664,585	31,477	29,833	333,007	1,241,049	119,031	1,102,753	24,099,204	39,662,680
2008-09	11,102,097	1,912,001	76,669	20,192	339,722	1,331,462	1,444,646	433,831	24,797,393	41,458,013
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

(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
2016-17	\$ 15,928,638	\$ 15,379,762	96.55%	\$ 563,468	15,943,230	100.09%	\$ 913,294	5.73%
2015-16	14,755,944	14,342,221	97.20%	454,873	14,797,094	100.28%	897,336	6.08%
2014-15	13,844,229	13,312,457	96.16%	518,680	13,831,137	99.91%	859,505	6.21%
2013-14	13,579,232	13,079,642	96.32%	497,647	13,577,289	99.99%	816,733	6.01%
2012-13	13,140,195	12,479,020	94.97%	714,599	13,193,619	100.41%	763,561	5.81%
2011-12	12,934,608	12,404,021	95.90%	946,344	13,350,365	103.21%	835,655	6.46%
2010-11	12,821,899	12,387,707	96.61%	467,536	12,855,243	100.26%	867,642	6.77%
2009-10	12,233,089	11,860,088	96.95%	257,289	12,117,377	99.05%	907,800	7.42%
2008-09	12,204,375	11,999,984	98.33%	179,820	12,179,804	99.80%	780,033	6.39%
2007-08	11,849,315	11,598,742	97.89%	183,512	11,782,254	99.43%	846,963	7.15%

(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
2016-17	\$ 1,060,918,050	\$ 186,038,501	\$ 225,237,446	\$ 107,143,331	\$ 25,021,646	\$ 1,062,601	\$ 1,605,421,575
2015-16	1,057,108,100	179,900,764	359,672,173	141,544,743	23,023,871	954,318	1,762,203,969
2014-15	1,066,615,300	178,489,346	330,568,526	158,033,441	22,361,237	607,475	1,756,675,325
2013-14	1,074,270,400	177,245,568	331,472,131	177,534,468	21,314,565	661,782	1,782,498,914
2012-13	1,067,749,700	172,917,073	310,297,932	179,625,302	20,571,130	703,448	1,751,864,585
2011-12	1,059,889,900	163,705,613	310,267,438	171,001,017	19,974,892	1,638,533	1,726,477,393
2010-11	1,056,729,200	161,035,270	304,393,326	187,241,026	19,526,928	3,014,800	1,731,940,550
2009-10	1,052,823,700	149,667,307	297,610,968	179,729,561	20,849,657	-	1,700,681,193
2008-09	1,049,284,251	165,541,200	279,614,150	132,446,151	22,641,189	-	1,649,526,941
2007-08	1,026,272,400	160,653,821	266,799,376	136,065,449	20,388,269	-	1,610,179,315

(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
2016-17	\$ 0.63	\$ 1.98	\$ 2.16	\$ 0.83	\$ 1.01
2015-16	0.61	1.96	1.06	0.81	1.01
2014-15	0.61	1.91	1.01	0.81	1.01
2013-14	0.54/0.56	1.91	1.01	0.81	1.01
2012-13	0.54	1.91	1.01	0.81	1.01
2011-12	0.54	1.91	1.01	0.81	1.01
2010-11	0.54	1.91	1.01	0.81	1.01
2009-10	0.52/0.54	1.89	0.99	0.79	-
2008-09	0.52	1.89	0.99	0.79	-
2007-08	0.63	1.89	0.99	0.79	-

(1) Per \$100 of assessed value.

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

Table 8

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

Fiscal Year	Population (1)	Assessed Value (in thousands) (2)	Gross and Net Bonded Debt (3)	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2016-17	17,286	\$ 1,605,422	\$ 20,088,519	1.25%	\$ 1,162
2015-16	17,286	1,762,204	21,475,282	1.22%	1,242
2014-15	17,286	1,756,675	23,368,877	1.33%	1,352
2013-14	17,286	1,782,499	25,151,143	1.41%	1,455
2012-13	17,286	1,751,865	25,183,752	1.44%	1,457
2011-12	17,286	1,726,477	26,182,991	1.52%	1,515
2010-11	17,286	1,731,941	27,931,389	1.61%	1,616
2009-10	16,657	1,700,681	29,073,317	1.71%	1,745
2008-09	16,657	1,649,527	16,791,312	1.02%	1,008
2007-08	16,657	1,610,179	14,694,109	0.91%	882

(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
2016-17	\$ 1,527,632	\$ 909,172	\$ 2,436,804	\$ 49,470,226	4.93%
2015-16	1,913,399	1,005,433	2,918,832	45,658,731	6.39%
2014-15	1,825,247	1,047,528	2,872,775	42,420,532	6.77%
2013-14	1,594,104	1,028,392	2,622,496	41,586,856	6.31%
2012-13	1,299,525	1,321,223	2,620,748	40,914,919	6.41%
2011-12	1,772,087	1,140,873	2,912,960	37,637,365	7.74%
2010-11	1,255,070	959,202	2,214,272	36,146,381	6.13%
2009-10	1,381,345	1,368,597	2,749,942	42,855,599	6.42%
2008-09	1,215,308	838,590	2,053,898	37,836,593	5.43%
2007-08	1,189,703	810,193	1,999,896	37,059,932	5.40%

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

(2) See Table 3 for excluded refunding amounts.

COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Giles, Virginia as of and for the year ended June 30, 2017, 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 30, 2017.

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.

Polina, Fane, Cox Associates

Blacksburg, Virginia

November 30, 2017

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, 2017. 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, 2017.

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.

Polina, Fawcett, Cox Associates

Blacksburg, Virginia
November 30, 2017

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Federal Grantor/ State Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures	
DEPARTMENT OF AGRICULTURE:				
Pass Through Payments:				
Child Nutrition Cluster:				
<i>State Department of Agriculture:</i>				
Food Distribution-Schools (Note 3)	10.555	Not available	\$ 79,836	
<i>Department of Education:</i>				
National School Lunch Program	10.555	40623, 40254	<u>468,965</u>	\$ 548,801
National School Lunch Program Subtotal				
School Breakfast Program	10.553	40591, 40253	189,755	
Summer Food Service Program for Children	10.559	Not available	<u>15,373</u>	\$ 753,929
<i>Department of Social Services:</i>				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010116,0010117, 0040116,0040117		196,694
<i>Department of Education:</i>				
Schools and Roads - Grants to States	10.665	43841		9,161
Total Department of Agriculture			<u>\$</u>	<u>959,784</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES:				
Pass Through Payments:				
<i>Department of Social Services:</i>				
Promoting Safe and Stable Families	93.556	0950115, 0950116	\$	11,009
Temporary Assistance for Needy Families	93.558	0400116,0400117		170,180
Refugee and Entrant Assistance - State Administered Programs	93.566	0500116,0500117		594
Low-Income Home Energy Assistance	93.568	0600416,0600417		21,325
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760116,0760117		32,958
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900116,0900117		259
Foster Care - Title IV-E	93.658	1100116,1100117		369,680
Chafee Education and Training Vouchers Program (ETV)	93.599	9160115, 9160116		2,665
Adoption Assistance	93.659	1120116,1120117		488,923
Social Services Block Grant	93.667	1000116,1000117		251,958
Chafee Foster Care Independence Program	93.674	9150116,9150117		6,339
Children's Health Insurance Program	93.767	0540116,0540117		8,385
Medical Assistance Program	93.778	1200116,1200117		256,546
Total Department of Health and Human Services			<u>\$</u>	<u>1,620,821</u>
DEPARTMENT OF DEFENSE:				
Pass Through Payments:				
<i>Department of Education:</i>				
Payments to States in Lieu of Real Estate Taxes	12.112	42845	<u>\$</u>	<u>552</u>
DEPARTMENT OF EDUCATION:				
Pass Through Payments:				
<i>Department of Education:</i>				
Title I Grants to Local Educational Agencies	84.010	42901	\$	404,425
Special Education Cluster (IDEA):				
Special Education-Grants to States	84.027	43071	\$ 492,249	
Special Education-Preschool Grants	84.173	62521	<u>15,457</u>	507,706
Career and Technical Education: Basic Grants to States	84.048	61095, 61159		36,829
Supporting Effective Instruction State Grant (formerly Improving Teacher Quality State Grants)	84.367	61480		77,591
Preschool Development Grants	84.419	62521		<u>630,554</u>
Total Department of Education			<u>\$</u>	<u>1,657,105</u>
DEPARTMENT OF TRANSPORTATION:				
Pass Through Payments:				
<i>Department of Motor Vehicles:</i>				
State and Community Highway Safety	20.600	SC-2015-55203-5942	<u>\$</u>	<u>5,670</u>
Total Expenditures of Federal Awards			<u>\$</u>	<u>4,243,932</u>

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

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, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of County of Giles, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of County of Giles, Virginia.

Note 2 -- Summary of Significant Accounting Policies

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

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

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

Note 3 -- Food Distribution

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2017, Giles County, Virginia had food commodities totaling \$42,647 in inventory.

Note 4 -- Subrecipients

The County did not have any subrecipients for the year ended June 30, 2017.

Note 5 -- Relationship to the Financial Statements:

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:	
General Fund	\$ 1,932,187
Less: Payments in lieu of taxes	<u>(109,002)</u>
Total primary government	<u>\$ 1,823,185</u>
Component Units:	
School Board	<u>\$ 2,420,747</u>
Total Federal Expenditures per Basic Financial Statements	<u>\$ 4,243,932</u>
Federal expenditures per the Schedule of Expenditures of Federal Awards	<u>\$ 4,243,932</u>

County of Giles, Virginia

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

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 84.027/84.173 84.419	Child Nutrition Cluster Special Education Cluster (IDEA) Preschool Development Grants

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

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

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.