

COUNTY OF GRAYSON, VIRGINIA

FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2012

COUNTY OF GRAYSON, VIRGINIA
FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2012

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INTRODUCTORY SECTION

COUNTY OF GRAYSON, VIRGINIA

BOARD OF SUPERVISORS

Brenda Sutherland	David Sexton, Chairman	Thomas "Mike" Maynard
Kenneth Belton		John Brewer

COUNTY SCHOOL BOARD

Hobert Bailey	Misty Cassell, Chair	James Holdaway
Gary Burris		Wynn Combs

SOCIAL SERVICES BOARD

Brenda Sutherland	Mary Field, Chair	Joe N. Vaughan
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OTHER OFFICIALS

Clerk of the Circuit Court	Susan Herrington
Commonwealth's Attorney	Douglas Vaught
Commissioner of the Revenue	Larry D. Bolt
Treasurer	Fields R. Young, Jr.
Sheriff	Richard Vaughan
Superintendent of Schools	Elizabeth Thomas
Director of Social Services	Anthony Isom
County Administrator	Jonathan D. Sweet

FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

THE HONORABLE MEMBERS OF THE BOARD OF SUPERVISORS COUNTY OF GRAYSON, VIRGINIA

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Grayson, Virginia, as of and for the year ended June 30, 2012, which collectively comprise the County of Grayson Virginia's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Grayson, Virginia's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our 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 unit, each major fund, and the aggregate remaining fund information of the County of Grayson, Virginia, as of June 30, 2012, and the respective changes in financial position and where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2013 on our consideration of the County of Grayson, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Grayson, Virginia's financial statements as a whole. The introductory section, other supplementary information and supporting schedules, and statistical information are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The other supplementary information and supporting schedules, 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section and 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.

Robinson, Turner, & Associates
Blacksburg, Virginia
January 18, 2013

Basic Financial Statements

County of Grayson, Virginia
Statement of Net Assets
June 30, 2012

	Primary Government			Component
	Governmental	Business-type	Total	Unit
	Activities	Activities		School Board
ASSETS				
Cash and cash equivalents	\$ 4,915,838	\$ 359,563	\$ 5,275,401	\$ -
Cash in custody of others	-	-	-	812,659
Investments	1,387,775	15,221	1,402,996	-
Receivables (net of allowance for uncollectibles)				
Taxes receivable	11,022,483	-	11,022,483	-
Accounts receivable	512,742	21,015	533,757	29,798
Notes receivable	170,078	-	170,078	-
Due from component unit	739,106	-	739,106	-
Due from other governmental units	562,068	-	562,068	654,582
Prepaid expenses	-	-	-	180,510
Unamortized bond issuance cost	53,375	-	53,375	-
Capital assets (net of accumulated depreciation)				
Land	720,638	10,648	731,286	144,690
Buildings and improvements	23,015,848	-	23,015,848	4,227,388
Machinery and equipment	589,604	19,887	609,491	1,164,484
Infrastructure	-	2,206,878	2,206,878	-
Construction in progress	5,101	5,750	10,851	-
Total assets	\$ 43,694,656	\$ 2,638,962	\$ 46,333,618	\$ 7,214,111
LIABILITIES				
Accounts payable	\$ 113,882	\$ 14,238	\$ 128,120	\$ 128,416
Accrued liabilities	-	-	-	808,072
Customers' deposits	-	16,165	16,165	-
Accrued interest payable	236,878	978	237,856	-
Due to primary government	-	-	-	739,106
Unearned revenue	10,147,707	-	10,147,707	-
Long-term liabilities:				
Due within one year	80,989	17,999	98,988	-
Due in more than one year	19,317,673	604,498	19,922,171	1,072,605
Total liabilities	\$ 29,897,129	\$ 653,878	\$ 30,551,007	\$ 2,748,199
NET ASSETS				
Invested in capital assets, net of related debt	\$ 5,172,432	\$ 1,620,666	\$ 6,793,098	\$ 5,536,562
Restricted for:				
TEA	220,396	-	220,396	-
DARE	4,012	-	4,012	-
Recreation	8,664	-	8,664	-
Special Law Enforcement	103,326	-	103,326	-
Capital Projects	206,264	-	206,264	-
Unrestricted (deficit)	8,082,433	364,418	8,446,851	(1,070,650)
Total net assets	\$ 13,797,527	\$ 1,985,084	\$ 15,782,611	\$ 4,465,912

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

County of Grayson, Virginia
Statement of Activities
For the Year Ended June 30, 2012

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets				Component Unit	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Governmental Activities	Business-type Activities	Total		School Board
PRIMARY GOVERNMENT:										
Governmental activities:										
General government administration	\$ 1,008,351	\$ 24,868	\$ 130,366	\$ -	\$ -	(853,117)	\$ -	\$ -	(853,117)	\$ -
Judicial administration	773,326	29,263	455,198	-	-	(288,865)	-	-	(288,865)	-
Public safety	3,160,218	156,390	1,163,052	-	-	(1,840,776)	-	-	(1,840,776)	-
Public works	1,199,271	1,428,176	38,428	-	-	267,333	-	-	267,333	-
Health and welfare	2,562,695	-	1,910,832	-	-	(651,863)	-	-	(651,863)	-
Education	5,169,448	-	-	-	-	(5,169,448)	-	-	(5,169,448)	-
Parks, recreation, and cultural	413,036	43,975	4,775	-	-	(364,286)	-	-	(364,286)	-
Community development	724,623	-	-	77,814	-	(646,809)	-	-	(646,809)	-
Interest on long-term debt	544,422	-	-	-	-	(544,422)	-	-	(544,422)	-
Total governmental activities	\$ 15,555,390	\$ 1,682,672	\$ 3,702,651	\$ 77,814	-	\$ (10,092,253)	\$ -	\$ -	(10,092,253)	\$ -
Business-type activities:										
Water Authority	\$ 263,930	\$ 209,664	\$ -	\$ -	-	-	(54,266)	\$ -	(54,266)	\$ -
Total primary government	\$ 15,819,320	\$ 1,892,336	\$ 3,702,651	\$ 77,814	-	\$ (10,092,253)	\$ (54,266)	\$ -	(10,146,519)	\$ -
COMPONENT UNITS:										
School Board	\$ 21,116,310	\$ 344,107	\$ 15,266,645	\$ -	-	\$ -	\$ -	\$ -	\$ -	(5,505,558)
Total component units	\$ 21,116,310	\$ 344,107	\$ 15,266,645	\$ -	-	\$ -	\$ -	\$ -	\$ -	(5,505,558)
General revenues:										
General property taxes						\$ 9,854,958	\$ -	\$ -	9,854,958	\$ -
Other local taxes:										
Local sales and use taxes						411,400	-	-	411,400	-
Consumers' utility taxes						341,638	-	-	341,638	-
Motor vehicle licenses						296,619	-	-	296,619	-
Other local taxes						157,624	-	-	157,624	-
Unrestricted revenues from use of money and property						49,575	-	-	49,575	80
Miscellaneous						223,235	-	-	223,235	458,679
Payment from Grayson County						858,516	-	-	858,516	4,589,633
Grants and contributions not restricted to specific programs						(38,500)	38,500	-	-	-
Transfers										
Total general revenues and transfers						\$ 12,155,065	\$ 38,500	\$ -	12,193,565	\$ 5,048,392
Change in net assets						\$ 2,062,812	\$ (15,766)	\$ -	2,047,046	\$ (457,166)
Net assets - beginning, as restated						11,734,715	2,000,850	-	13,735,565	4,923,078
Net assets - ending						\$ 13,797,527	\$ 1,985,084	\$ -	15,782,611	\$ 4,465,912

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

County of Grayson, Virginia
Balance Sheet
Governmental Funds
June 30, 2012

	<u>General</u>	<u>Community Development</u>	<u>Industrial Development</u>	<u>School Construction</u>	<u>Total</u>
ASSETS					
Cash and cash equivalents	\$ 4,847,051	\$ 2,267	\$ 1,912	\$ -	\$ 4,851,230
Investments	210,839	370,352	511,000	206,264	1,298,455
Receivables (net of allowance for uncollectibles):					
Taxes receivable	11,022,483	-	-	-	11,022,483
Accounts receivable	512,742	-	-	-	512,742
Notes receivable	-	64,247	105,831	-	170,078
Due from component unit	739,106	-	-	-	739,106
Due from other governmental units	562,068	-	-	-	562,068
Total assets	<u>\$ 17,894,289</u>	<u>\$ 436,866</u>	<u>\$ 618,743</u>	<u>\$ 206,264</u>	<u>\$ 19,156,162</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 113,882	\$ -	\$ -	\$ -	\$ 113,882
Deferred revenue	10,955,200	-	-	-	10,955,200
Total liabilities	<u>\$ 11,069,082</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,069,082</u>
Fund balances:					
Restricted:					
TEA	\$ 220,396	\$ -	\$ -	\$ -	\$ 220,396
DARE	4,012	-	-	-	4,012
Recreation	8,664	-	-	-	8,664
Special Law Enforcement	103,326	-	-	-	103,326
Capital Projects	-	-	-	206,264	206,264
Committed:					
Law Library	1,730	-	-	-	1,730
Courthouse Security	75,887	-	-	-	75,887
Courthouse Maintenance	11,359	-	-	-	11,359
School Bus Replacement	74,155	-	-	-	74,155
Community Development	-	436,866	-	-	436,866
Industrial Development	-	-	618,743	-	618,743
Assigned:					
Reassessment	158,000	-	-	-	158,000
Contingency	646,370	-	-	-	646,370
Capital Improvement	76,769	-	-	-	76,769
Sheriff	2,561	-	-	-	2,561
Treasurer	2,561	-	-	-	2,561
Unassigned:	5,439,417	-	-	-	5,439,417
Total fund balances	<u>\$ 6,825,207</u>	<u>\$ 436,866</u>	<u>\$ 618,743</u>	<u>\$ 206,264</u>	<u>\$ 8,087,080</u>
Total liabilities and fund balances	<u>\$ 17,894,289</u>	<u>\$ 436,866</u>	<u>\$ 618,743</u>	<u>\$ 206,264</u>	<u>\$ 19,156,162</u>

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

County of Grayson, Virginia
 Reconciliation of the Balance Sheet of Governmental Funds
 To the Statement of Net Assets
 June 30, 2012

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 8,087,080
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	24,331,191
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	807,493
Internal service funds are used by management to charge the costs of certain activities, such as self insured health insurance plan, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	153,928
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(19,582,165)
Net assets of governmental activities	<u>\$ 13,797,527</u>

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

County of Grayson, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2012

	General	Community Development	Industrial Development	School Construction	Total
REVENUES					
General property taxes	\$ 9,717,645	\$ -	\$ -	\$ -	\$ 9,717,645
Other local taxes	1,207,281	-	-	-	1,207,281
Permits, privilege fees, and regulatory licenses	87,487	-	-	-	87,487
Fines and forfeitures	22,033	-	-	-	22,033
Revenue from the use of money and property	44,440	2,831	1,778	526	49,575
Charges for services	1,573,152	-	-	-	1,573,152
Miscellaneous	223,235	-	-	-	223,235
Recovered costs	318,903	-	-	-	318,903
Intergovernmental revenues:					
Commonwealth	3,636,760	-	-	-	3,636,760
Federal	1,002,221	-	-	-	1,002,221
Total revenues	<u>\$ 17,833,157</u>	<u>\$ 2,831</u>	<u>\$ 1,778</u>	<u>\$ 526</u>	<u>\$ 17,838,292</u>
EXPENDITURES					
Current:					
General government administration	\$ 1,217,199	\$ -	\$ -	\$ -	\$ 1,217,199
Judicial administration	763,200	-	-	-	763,200
Public safety	3,230,783	-	-	-	3,230,783
Public works	1,403,871	-	-	-	1,403,871
Health and welfare	2,578,416	-	-	-	2,578,416
Education	4,582,556	-	-	-	4,582,556
Parks, recreation, and cultural	432,114	-	-	-	432,114
Community development	644,680	-	25,000	-	669,680
Debt service:					
Principal retirement	18,434,255	-	-	-	18,434,255
Interest and other fiscal charges	642,784	-	-	-	642,784
Total expenditures	<u>\$ 33,929,858</u>	<u>\$ -</u>	<u>\$ 25,000</u>	<u>\$ -</u>	<u>\$ 33,954,858</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (16,096,701)</u>	<u>\$ 2,831</u>	<u>\$ (23,222)</u>	<u>\$ 526</u>	<u>\$ (16,116,566)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ 2,719,528	\$ -	\$ 25,000	\$ -	\$ 2,744,528
Transfers out	(2,712,739)	-	(50,000)	-	(2,762,739)
Capital leases	97,066	-	-	-	97,066
Issuance of lease revenue bonds	17,900,000	-	-	-	17,900,000
Total other financing sources (uses)	<u>\$ 18,003,855</u>	<u>\$ -</u>	<u>\$ (25,000)</u>	<u>\$ -</u>	<u>\$ 17,978,855</u>
Net change in fund balances	\$ 1,907,154	\$ 2,831	\$ (48,222)	\$ 526	\$ 1,862,289
Fund balances - beginning, as restated	4,918,053	434,035	666,965	205,738	6,224,791
Fund balances - ending	<u>\$ 6,825,207</u>	<u>\$ 436,866</u>	<u>\$ 618,743</u>	<u>\$ 206,264</u>	<u>\$ 8,087,080</u>

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

County of Grayson, 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, 2012

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

Net change in fund balances - total governmental funds	\$ 1,862,289
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.	(345,293)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	137,313
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 issuance costs, 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.	489,240
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.	41,382
Internal service funds are used by management to charge the costs of certain activities, such as self insured health insurance plan, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.	(122,119)
Change in net assets of governmental activities	<u>\$ 2,062,812</u>

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

County of Grayson, Virginia
Statement of Net Assets
Proprietary Funds
June 30, 2012

	Enterprise Fund Fairview Water Fund	Internal Service Funds
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 359,563	\$ 64,608
Investments	15,221	89,320
Accounts receivables, net of allowance for uncollectibles	21,015	-
Total current assets	<u>\$ 395,799</u>	<u>\$ 153,928</u>
Capital assets:		
Land	\$ 10,648	\$ -
Machinery and equipment	32,310	-
Infrastructure	3,107,276	-
Less accumulated depreciation	(912,821)	-
Construction in progress	5,750	-
Total capital assets	<u>\$ 2,243,163</u>	<u>\$ -</u>
Total noncurrent assets	<u>\$ 2,243,163</u>	<u>\$ -</u>
Total assets	<u>\$ 2,638,962</u>	<u>\$ 153,928</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 14,238	\$ -
Customers' deposits	16,165	-
Accrued interest payable	978	-
Bonds payable - current portion	17,999	-
Total current liabilities	<u>\$ 49,380</u>	<u>\$ -</u>
Noncurrent liabilities:		
Bonds payable - net of current portion	\$ 604,498	\$ -
Total noncurrent liabilities	<u>\$ 604,498</u>	<u>\$ -</u>
Total liabilities	<u>\$ 653,878</u>	<u>\$ -</u>
NET ASSETS		
Invested in capital assets, net of related debt	\$ 1,620,666	\$ -
Unrestricted	364,418	153,928
Total net assets	<u>\$ 1,985,084</u>	<u>\$ 153,928</u>

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

County of Grayson, Virginia
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2012

	Enterprise Fund Fairview Water Fund	Internal Service Funds
OPERATING REVENUES		
Charges for services:		
Water revenues	\$ 209,664	\$ -
Insurance premiums	-	1,069,862
Total operating revenues	<u>\$ 209,664</u>	<u>\$ 1,069,862</u>
OPERATING EXPENSES		
Salaries and wages	\$ 22,091	-
Employee benefits	2,785	-
Utilities	7,492	-
Professional services	80,106	-
Materials and supplies	13,638	-
Travel	7,693	-
Maintenance services	19,716	-
Insurance claims and expenses	-	1,171,692
Miscellaneous	4,114	-
Depreciation	82,105	-
Total operating expenses	<u>\$ 239,740</u>	<u>\$ 1,171,692</u>
Operating income (loss)	<u>\$ (30,076)</u>	<u>\$ (101,830)</u>
NONOPERATING REVENUES (EXPENSES)		
Interest expense	<u>\$ (24,190)</u>	<u>\$ -</u>
Income before transfers	<u>\$ (54,266)</u>	<u>\$ (101,830)</u>
Transfers in	\$ 38,500	\$ 16,154
Transfers out	-	(36,443)
Change in net assets	<u>\$ (15,766)</u>	<u>\$ (122,119)</u>
Total net assets - beginning	2,000,850	276,047
Total net assets - ending	<u><u>\$ 1,985,084</u></u>	<u><u>\$ 153,928</u></u>

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

County of Grayson, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2012

	Enterprise Fund Fairview Water Fund	Internal Service Funds
CASH FLOWS FROM BY OPERATING ACTIVITIES		
Receipts from customers and users	\$ 221,883	\$ -
Receipts for insurance premiums	-	1,069,862
Payments to suppliers	(132,493)	-
Payments to and for employees	(24,876)	-
Payments for insurance premiums	-	(1,171,692)
Net cash provided by (used for) operating activities	<u>\$ 64,514</u>	<u>\$ (101,830)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers to other funds	\$ -	\$ (36,443)
Transfers from other funds	38,500	16,154
Net cash provided by (used for) noncapital financing activities	<u>\$ 38,500</u>	<u>\$ (20,289)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	\$ (30,061)	\$ -
Principal payments on bonds	(12,612)	-
Interest payments	(24,782)	-
Net cash provided by (used for) capital and related financing activities	<u>\$ (67,455)</u>	<u>\$ -</u>
Net increase (decrease) in cash and cash equivalents	\$ 35,559	\$ (122,119)
Cash and cash equivalents - beginning	339,225	276,047
Cash and cash equivalents - ending	<u>\$ 374,784</u>	<u>\$ 153,928</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ (30,076)	\$ (101,830)
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:		
Depreciation expense	\$ 82,105	\$ -
(Increase) decrease in accounts receivable	13,750	-
Increase (decrease) in accounts payable	266	-
Increase (decrease) in customer deposits	(1,531)	-
Total adjustments	<u>\$ 94,590</u>	<u>\$ -</u>
Net cash provided by (used for) operating activities	<u>\$ 64,514</u>	<u>\$ (101,830)</u>

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

County of Grayson, Virginia
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 241,063
Receivables:	
Other receivables	12,621
Investments	
Other investments	171,623
Total assets	<u>\$ 425,307</u>
LIABILITIES	
Due to other governmental units	\$ 36,131
Amounts held for social services clients	1,896
Amounts held for subsequent remittance to State for surcharge	414
Amounts held for Mt. Rogers Alcohol Safety Action Program	329,459
Amounts held for Grayson Regional Library	57,407
Total liabilities	<u>\$ 425,307</u>

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

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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 Grayson, Virginia is a political subdivision governed by an elected five-member Board of Supervisors. The accompanying financial statements present the government and its component unit, 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 Grayson 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. The Grayson County School Board does not prepare separate financial statements.

Related Organizations - The County has no related organizations.

Jointly Governed Organizations:

1. The County of Grayson and the Counties of Wythe, Bland, Carroll, and Smyth, along with the City of Galax, participate in supporting the Mount Rogers Community Services Board. For the fiscal year ended June 30, 2012, the County contributed \$33,750.
2. The County of Grayson, along with the County of Wythe, participates in supporting the Wythe/Grayson Regional Library. For the fiscal year ended June 30, 2012, the County contributed \$231,515.
3. The County of Grayson, along with the County of Carroll and the City of Galax, participates in the Carroll-Grayson-Galax Solid Waste Authority. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. Operating expenses of the Authority are offset by user fees and no local contribution was required of the County of Grayson for the fiscal year ended June 30, 2012.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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

A. Financial Reporting Entity (Continued)

Jointly Governed Organizations: (Continued)

4. The County of Grayson, along with the City of Galax, participates in supporting the Galax-Grayson Emergency Medical Service. Each locality appoints two members to the Service's Board. For the fiscal year ended June 30, 2012, no contribution was made by the County to the Service.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets 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 Assets is designed to display financial position of the primary government (government and business-type activities) and its discretely presented component units. Governments will report all capital assets in the government-wide Statement of Net Assets and will report depreciation expense – the cost of “using up” capital assets – in the Statement of Activities. The net assets of a government will be broken down into three categories – 1) invested in capital assets, net of related debt; 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.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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

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.

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 uncollectible amounts. Property taxes not collected within 60 days after year-end are reflected as deferred 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 County 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 E-911, Law Library, Recreation Donation, and Asset Forfeiture Funds.

The Industrial Development and Community Development funds are reported as the County's major *special revenue funds*. Both funds account for and report the proceeds of specific revenues sources that are restricted or committed to expenditure for specified industrial and community development purposes other than debt service or capital projects.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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

C. Measurement focus, basis of accounting, and financial statement presentation: (Continued)

The School Construction fund is reported as the County's major *capital projects fund*. This fund accounts for and reports financial resources that restricted, committed or assigned to expenditure for capital outlays for schools, except for those financed by proprietary funds or for assets held in trust for individuals, private organizations, or other governments.

The County reports the following major proprietary funds:

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

The *internal service fund* accounts for goods or services provided to other departments within the County on a cost reimbursement basis. The County has a self insured health insurance plan for employees.

Additionally, the County 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 include the Special Welfare, Building Code, ASAP, and Regional Library funds.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

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 functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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

C. Measurement focus, basis of accounting, and financial statement presentation: (Continued)

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* 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 internal service funds are charges to customers for sales and services. Operating expenses for 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 non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed.

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

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.

Investments for the government, as well as for its component units, are reported at fair value. The State Treasurer's Local Government Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

2. Receivables and payables

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

Advances between funds, as reported in the fund financial statements, are offset by nonspendable fund balance in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

3. Property Taxes

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

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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

D. Assets, liabilities, and net assets or equity (Continued)

4. Allowance for Uncollectible Accounts

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$142,614 at June 30, 2012 and is comprised solely of property taxes.

5. 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.

6. Capital assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

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

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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

D. Assets, liabilities, and net assets or equity (Continued)

7. 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 Government Accounting Standards No. 16, Accounting for Compensated Absences, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits. 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.

8. 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 assets. Bond premiums and discounts, as well as issuance costs, 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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, 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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Fund equity

Fund balances, presented in the governmental fund financial statements, represent the difference between assets and liabilities reported in a governmental fund. GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental funds. This new standard (implemented in 2011) has not affected the total amount of reported fund balances but has substantially changed the categories and terminology used to describe their components. GASB Statement No. 54 requires that fund balances be classified into categories based upon the type of restrictions imposed on the use of funds. The County of Grayson, Virginia evaluated its funds at June 30, 2012 and classified fund balance into the following five categories:

Nonspendable -amounts that cannot be spent because they are not in spendable form, such as prepaid items and inventory or are required to be maintained intact (corpus of a permanent fund).

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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

D. Assets, liabilities, and net assets or equity (Continued)

9. Fund equity (Continued)

Restricted amounts that are restricted by external parties such as creditors or imposed by grants, law or legislation

Committed -amounts that have been committed (establish, modify, or rescind) by formal action by the entity's "highest level of decision-making authority"; which the County of Grayson, Virginia considers to be the Board of Directors.

Assigned -amounts that have been allocated by committee action where the government's intent is to use the funds for a specific purpose. The County of Grayson, Virginia considers this level of authority to be the Board of Directors or any Committee granted such authority by the Board of Directors.

Unassigned -this category is for any balances that have no restrictions placed upon them; only positive amounts are reported in the general fund.

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

The Board of Supervisors establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance/resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the Board of Supervisors through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes) or other official to which the Board has delegated the authority to assign amounts including but limited to the County Administrator and the Director of Finance.

10. Net Assets

Net assets are the difference between assets and liabilities. Net assets invested in capital assets represent capital assets, less accumulated depreciation less any outstanding debt related to the acquisition, construction or improvement of those assets.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 2-Reconciliation of Government-Wide and Fund Financial Statements:

- A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

The governmental fund balance sheet includes a reconciliation between *fund balance-total governmental funds* and *net assets-governmental activities* as reported in the government-wide statements of net assets. One element of that reconciliation explains that long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. The details of these (\$19,582,165) and (\$1,072,605) differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit - School Board
General Obligation bonds	\$ (1,133,426)	\$ -
Premium on bond	(61,504)	-
Bond issuance costs	53,375	
Net OPEB obligation	(76,600)	(363,300)
ERIP liability	-	(453,282)
Lease revenue note	(17,900,000)	-
Capital lease	(63,829)	-
Accrued Interest payable	(236,878)	-
Landfill closure and postclosure liability	(56,479)	-
Compensated absences	(106,824)	(256,023)
Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net assets-governmental activities</i>	<u>\$ (19,582,165)</u>	<u>\$ (1,072,605)</u>

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COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 2-Reconciliation of Government-Wide and Fund Financial Statements: (Continued)

- B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances-total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, "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." The details of these (\$345,293) and (\$526,154) differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit
Capital asset additions	\$ 488,492	\$ 118,237
Depreciation expense	<u>(833,785)</u>	<u>(565,375)</u>
Net adjustment to increase (decrease) <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ (345,293)</u>	<u>\$ (447,138)</u>

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COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 2-Reconciliation of Government-Wide and Fund Financial Statements: (Continued)

- B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities. (Continued)

Another element of that reconciliation states "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 debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this \$489,240 difference for the primary government are as follows:

	Primary Government
Principal repayments:	
General obligation bonds	\$ 76,070
Lease revenue notes	18,300,000
Capital leases	58,185
Debt Issued or incurred:	
Lease revenue notes	(17,900,000)
Capital lease	(97,066)
Bond issuance costs	53,375
Landfill closure/postclosure liability	(1,324)
Net adjustment to increase <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ 489,240

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COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 2-Reconciliation of Government-Wide and Fund Financial Statements: (Continued)

- B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities. (Continued)

Another element of that reconciliation states, "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." The details of these \$41,382 and \$68,238 differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit - School Board
Bond premium amortization	\$ 4,393	\$ -
(Increase) decrease in compensated absences	12,395	17,295
(Increase) decrease in net OPEB obligation	(16,000)	(23,700)
(Increase) decrease in ERIP liability	-	74,643
(Increase) decrease in accrued interest	40,594	-
Net adjustment to increase (decrease) <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ 41,382	\$ 68,238

Note 3-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 April 1st, 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. The following funds have legally adopted budgets: General Fund and the School Operating Fund
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.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 3-Stewardship, Compliance, and Accountability: (Continued)

A. Budgetary information (Continued)

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), Debt Service Funds, and the General Capital Projects Funds. The School Fund and School Capital Projects Fund are 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. All budgetary data presented in the accompanying financial statements is the revised budget as of June 30.
9. 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 fiscal year ended June 30, 2012, expenditures did not exceed appropriations.

C. Deficit fund equity

At June 30, 2012, there were no funds with deficit fund equity.

Note 4-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 2.2-400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 4-Deposits and Investments: (Continued)

Investments:

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

Credit Risk of Debt Securities:

The County has adopted an investment policy for credit risk.

The County's rated debt investments as of June 30, 2012 were rated by Standard and Poor's and/or an equivalent national rating organization and the ratings are presented below using the Standard and Poor's rating scale.

Rated Debt Investments	Fair Quality Ratings		
	AAA	AAAm	AAm
LGIP	\$ -	\$ 1,359,691	\$ -
SNAP	-	206,264	-

Concentration of Credit Risk:

At June 30, 2012, the County did not have any investments meeting the GASB 40 definition requiring concentration of credit risk disclosures that exceeded 5% of total investments.

Interest Rate Risk:

At June 30, 2012, the County did not have any investments meeting the GASB 40 definition requiring interest rate risk disclosures.

The fair value of the positions in the external investment pool (Local Government Investment Pool (LGIP) and State Non Arbitrage Pool (SNAP)) is the same as the value of the pool shares. As this pool is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP maintains a policy to operate in a manner consistent with SEC Rule 2a-7.

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COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 5-Due from Other Governmental Units:

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

	Primary Government	Component Unit School Board
ASAP	\$ 36,131	\$ -
<u>Commonwealth of Virginia:</u>		
Local sales tax	79,227	-
Communications tax	66,349	-
State sales tax	-	337,225
Categorical aid	28,177	-
Non-categorical aid	177,476	-
Virginia public assistance funds	54,383	-
Community services act	52,210	-
<u>Federal Government:</u>		
Virginia public assistance funds	68,115	-
School grants	-	317,357
	<u> </u>	<u> </u>
Totals	\$ 562,068	\$ 654,582

Note 6-Interfund/Component-Unit Obligations:

The following amounts represent interfund obligations at year end:

Fund	Due to Primary Government/ Component Unit	Due from Primary Government/ Component Unit
Primary Government:		
General Fund	\$ -	\$ 739,106
Component Unit - School Board:		
School Fund	\$ 739,106	\$ -

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 7-Interfund Transfers:

Interfund transfers for the fiscal year ended June 30, 2012 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ 2,719,528	\$ 2,712,739
Fairview Water Fund	38,500	-
Industrial Development Fund	25,000	50,000
Internal Service Fund	16,154	36,443
Total	<u>\$ 2,799,182</u>	<u>\$ 2,799,182</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 or (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgeting authorization.

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COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 8-Long-Term Obligations:

Primary Government - Governmental Activity Indebtedness:

The following is a summary of long-term obligations transactions of the County for the year ended June 30, 2012:

	Balance July 1, 2011	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2012
General obligation bonds	\$ 1,209,496	\$ -	\$ (76,070)	\$ 1,133,426
Premium on bond	65,897	-	(4,393)	61,504
Lease revenue notes	18,300,000	17,900,000	(18,300,000)	17,900,000
Capital lease (Note 10)	24,948	97,066	(58,185)	63,829
Landfill closure/ postclosure liability	55,155	1,324	-	56,479
Net OPEB obligation	60,600	67,300	(51,300)	76,600
Compensated absences	119,219	-	(12,395)	106,824
Total	\$ 19,835,315	\$ 18,065,690	\$ (18,502,343)	\$ 19,398,662

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

Year Ending June 30,	General Obligation Bonds		Lease Revenue Notes	
	Principal	Interest	Principal	Interest
2013	\$ 76,596	\$ 57,925	\$ -	\$ 453,223
2014	77,081	54,224	-	451,450
2015	77,659	50,689	699,180	451,450
2016	78,337	42,958	716,813	433,818
2017	79,050	38,945	734,892	415,738
2018-2022	407,329	133,146	3,961,998	1,791,150
2023-2027	337,374	31,659	4,487,459	1,265,692
2028-2032	-	-	5,082,618	660,532
2033-2034	-	-	2,217,040	84,225
Totals	\$ 1,133,426	\$ 409,546	\$ 17,900,000	\$ 6,007,278

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 8-Long-Term Obligations: (Continued)

Primary Government - Governmental Activity Indebtedness: (Continued)

Details of long-term indebtedness:

	<u>Interest Rates</u>	<u>Date Issued</u>	<u>Final Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Balance Governmental Activities</u>	<u>Amount Due Within One Year</u>
<u>General Obligation Bonds:</u>						
General Obligation Bond	5.10%	11/10/05	2025	\$ 585,603	\$ 438,426	\$ 26,596
General Obligation Bond	5.10%	11/10/05	2025	995,000	695,000	50,000
Subtotal					1,133,426	76,596
Premium on Bond				87,862	61,504	4,393
Total General Obligation Bonds					<u>\$ 1,194,930</u>	<u>\$ 80,989</u>
<u>Lease Revenue Notes:</u>						
Lease revenue note	2.50%	12/22/11	2034	\$ 10,000,000	\$ 10,000,000	\$ -
Lease revenue note	2.55%	01/25/12	2034	7,900,000	7,900,000	-
Total Lease Revenue Notes					<u>\$ 17,900,000</u>	<u>\$ -</u>
<u>Other Obligations:</u>						
Landfill closure/post-closure liability					\$ 56,479	\$ -
Capital leases (Note 10)					63,829	-
Net OPEB obligation					76,600	-
Compensated Absences					106,824	-
Total Other Obligations					<u>\$ 303,732</u>	<u>\$ -</u>
Total Long-Term Obligations					<u>\$ 19,398,662</u>	<u>\$ 80,989</u>

Primary Government - Enterprise Activity Indebtedness:

The following is a summary of long-term obligations transactions of the Enterprise Fund for the year ended June 30, 2012:

	<u>Balance July 1, 2011</u>	<u>Increases/ Issuances</u>	<u>Decreases/ Retirements</u>	<u>Balance June 30, 2012</u>
Revenue Bonds	<u>\$ 635,108</u>	<u>\$ -</u>	<u>\$ (12,611)</u>	<u>\$ 622,497</u>
Total	<u>\$ 635,108</u>	<u>\$ -</u>	<u>\$ (12,611)</u>	<u>\$ 622,497</u>

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 8-Long-Term Obligations: (Continued)

Primary Government - Enterprise Activity Indebtedness: (Continued)

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

Year Ending June 30,	Revenue Bonds	
	Principal	Interest
2013	\$ 17,999	\$ 22,813
2014	18,064	22,748
2015	18,864	21,948
2016	19,704	21,108
2017	20,580	20,232
2018-2022	117,613	86,447
2023-2027	139,762	57,513
2028-2032	99,573	28,396
2033-2037	40,290	18,868
2038-2042	45,650	13,510
2043-2047	51,721	7,439
2048-2050	32,677	2,220
Totals	<u>\$ 622,497</u>	<u>\$ 323,242</u>

Details of long-term indebtedness:

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Balance Business-Type Activities	Amount Due Within One Year
<u>Revenue Bonds:</u>						
Rural Development Water Revenue Bonds	5.00%	09/01/92	2032	\$ 491,600	\$ 333,055	\$ 13,350
Rural Development Water Revenue Bonds	2.50%	05/06/10	2050	290,000	289,442	4,649
Total Revenue Bonds					<u>\$ 622,497</u>	<u>\$ 17,999</u>

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 9-Long-term Obligations-Component Unit School Board:

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, 2012:

	Balance July 1, 2011	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2012
Net OPEB obligation	\$ 339,600	\$ 272,700	\$ (249,000)	\$ 363,300
Early retirement incentive plan	527,925	-	(74,643)	453,282
Compensated absences	273,318	-	(17,295)	256,023
Total	<u>\$ 1,140,843</u>	<u>\$ 272,700</u>	<u>\$ (340,938)</u>	<u>\$ 1,072,605</u>

Details of long-term indebtedness:

	Total Amount	Amount Due Within One Year
<u>Other Obligations:</u>		
Net OPEB obligation	\$ 363,300	\$ -
Early retirement incentive plan	453,282	-
Compensated absences	256,023	-
Total Long-Term Obligations	<u>\$ 1,072,605</u>	<u>\$ -</u>

Note 10-Capital Lease:

Primary Government:

The County has entered into a lease agreement to finance the acquisition of 4 police cars. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of their inception dates.

The assets acquired through the capital lease are as follows:

	Governmental Activities
Asset:	
Machinery and equipment	\$ 101,069
Less: Accumulated depreciation	<u>(9,304)</u>
Total	<u>\$ 91,765</u>

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 10-Capital Lease: (Continued)

Primary Government: (Continued)

The future minimum lease obligations and the net present value of the minimum lease payments as of June 30, 2012, were as follows:

Fiscal Year Ended	Governmental Activities
2013	\$ 34,572
2014	34,571
Total minimum lease payments	\$ 69,143
Less: amount representing interest	(5,314)
Present value of minimum lease payments	\$ 63,829

Note 11-Employee Retirement System and Defined Benefit Pension Plans:

A. Plan Description

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

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

VRS administers two defined benefit plans for local government employees – Plan 1 and Plan 2:

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least five years of service credit or age 50 with at least 10 years of service credit.
- Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 11-Employee Retirement System and Defined Benefit Pension Plans: (Continued)

A. Plan Description (Continued)

- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70 %. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is 0.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS Web site at <http://www.varetire.org/Pdf/Publications/2011-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

B. Funding Policy

Primary Government:

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. In addition, the County of Grayson, Virginia is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County of Grayson, Virginia's contribution rate for the fiscal year ended 2012 was 14.61% of annual covered payroll.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 11-Employee Retirement System and Defined Benefit Pension Plans: (Continued)

B. Funding Policy (Continued)

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

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The School Board's contribution rate for the fiscal year ended 2012 was 7.50% of annual covered payroll.

C. Annual Pension Cost

For fiscal year 2012, the County of Grayson, Virginia's annual pension cost of \$495,165 and \$89,421 was equal to the County of Grayson, Virginia's required and actual contributions for the County and the School Board Non-Professional, respectively.

	Fiscal Year Ending	Three-Year Trend Information		
		Annual Pension Cost (APC) ¹	Percentage of APC Contributed	Net Pension Obligation
Primary Government:				
County	6/30/2012	\$ 495,165	100.00%	\$ -
	6/30/2011	488,648	100.00%	-
	6/30/2010	349,141	100.00%	-
Discretely Presented-Component Unit:				
School Board Non-Professional	6/30/2012	\$ 89,421	100.00%	\$ -
	6/30/2011	90,260	100.00%	-
	6/30/2009	99,761	100.00%	-

¹ Employer portion only

The FY 2012 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County of Grayson, Virginia's and the School Board's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County of Grayson, Virginia's and the School Board's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009 for the Unfunded Actuarial Accrued Liability (UAAL) was 20 years.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

Note 11-Employee Retirement System and Defined Benefit Pension Plans: (Continued)

D. Funding Status and Funding Progress

Primary Government:

As of June 30, 2011, the most recent actuarial valuation date, the plan was 68.89% funded. The actuarial accrued liability for benefits was \$19,925,559 and the actuarial value of assets was \$13,726,308, resulting in an unfunded actuarial accrued liability (UAAL) of \$6,199,251. The covered payroll (annual payroll of active employees covered by the plan) was \$3,381,756, and ratio of the UAAL to the payroll was 183.31%.

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

As of June 30, 2011, the most recent actuarial valuation date, the plan was 79.89% funded. The actuarial accrued liability for benefits was \$4,712,192, and the actuarial value of assets was \$3,764,341, resulting in an unfunded actuarial accrued liability (UAAL) of \$947,851. The covered payroll (annual payroll of active employees covered by the plan) was \$1,195,932, and the ratio of the UAAL to the covered payroll was 79.26%.

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

E. Discretely Presented Component Unit School Board

PROFESSIONAL EMPLOYEES:

Plan Description

The Grayson County School Board contributes to the Virginia Retirement System (VRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System. VRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia. The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at <http://www.varetire.org/Pdf/Publications/20011-annual-report.pdf> or obtained by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 11-Employee Retirement System and Defined Benefit Pension Plans: (Continued)

E. Discretely Presented Component Unit School Board (Continued)

PROFESSIONAL EMPLOYEES: (Continued)

Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All of part of the 5.00% member contribution may be assumed by the employer. In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The School Board's contribution to the statewide cost sharing pool for professional employees was \$1,027,763, \$808,351, and \$848,995, for the fiscal years ended 2012, 2011, and 2010, respectively. Employer contributions represented 6.33%, 3.93, and 8.81 of covered payroll for the fiscal years ended 2012, 2011, and 2010, respectively.

Note 12-Other Postemployment Benefits:

A. Plan Description

The Grayson Postemployment Healthcare Plan (The "Plan") is a single-employer defined benefit healthcare plan administered by the County. The Plan provides health insurance benefits to eligible retirees and their spouses. To be eligible, employees must meet the age and service criteria for immediate retirement benefits under VRS, which requires that the employee be age 50 with 10 years of service, or be age 55 with 5 years of service, or permanently, totally disabled and injured in the line of duty. Additionally, the employee must be of full-time status in VRS and must be covered by the active plan at the time of retirement or disability. The benefit provisions, including employer and employee contributions, are governed by the County and can be amended through Board of Supervisor action. The Plan does not issue a publicly available financial report. Additionally, the School System had an Early Retirement Incentive Program that gave employees the option to retire at an earlier age with sufficient years of service. The program is no longer available, but benefits are still being paid. The plan can be amended by School Board action and does not issue a publicly available report.

B. Funding Policy

The Grayson County Government establishes employer medical contribution rates for all medical plan participants as part of the budgetary process each year. The County also determines how the plan will be funded each year, whether it will be partially funded or fully funded in the upcoming fiscal year. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the County. For fiscal year 2012, the County contributed \$51,300 in total for current premiums and prefunding amounts.

For retirees, 100 percent of premiums for both the employee and spouse are the responsibility of the retiree. Coverage under the plan ceases when the employee reaches age 65. For retirees under the Early Retirement Incentive Plan, the School Board pays \$386.07 toward monthly premiums.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 12-Other Postemployment Benefits: (Continued)

C. Annual OPEB Cost and Net OPEB Obligation

The County'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's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation:

	County	School Board	Total
Annual required contribution	\$ 67,906	\$ 284,600	\$ 352,506
Interest on net OPEB obligation	2,424	13,600	16,024
Adjustment to annual required contribution	(3,030)	(25,500)	(28,530)
Annual OPEB cost (expense)	67,300	272,700	340,000
Contributions made	(51,300)	(249,000)	(300,300)
Increase in net OPEB obligation	16,000	23,700	39,700
Net OPEB obligation - beginning of year	60,600	339,600	400,200
Net OPEB obligation - end of year	\$ 76,600	\$ 363,300	\$ 439,900

The County's and School Board's combined annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2012	\$ 340,000	88%	\$ 439,900
6/30/2011	326,400	81%	400,200
6/30/2010	273,200	41%	338,400

D. Funded Status and Funding Progress

Primary Government:

As of July 1, 2010, the most recent actuarial valuation date, the actuarial accrued liabilities (AAL) were \$403,300, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$3,466,000, and ratio of the UAAL to the covered payroll was 11.6%.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 12-Other Postemployment Benefits: (Continued)

D. Funded Status and Funding Progress (Continued)

Component Unit – School Board:

As of July 1, 2010, the most recent actuarial valuation date, the actuarial accrued liabilities (AAL) were \$2,617,800, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$11,019,600, and ratio of the UAAL to the covered payroll was 23.8%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual 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, presents multiyear trend information 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.

As of the most recent actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions included a 4.0 percent investment rate of return per annum. An annual healthcare cost trend rate of 10 percent initially, reduced by decrements of 0.5 percent until an ultimate rate of 5 percent is reached. The UAAL is being amortized as a level percentage over the remaining amortization period, which at June 30, 2012, was 30 years.

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COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 13-Capital Assets:

Capital asset activity for the year ended June 30, 2012 was as follows:

Primary Government:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 720,638	\$ -	\$ -	\$ 720,638
Construction in progress	537,670	14,100	(546,669)	5,101
Total capital assets not being depreciated	<u>\$ 1,258,308</u>	<u>\$ 14,100</u>	<u>\$ (546,669)</u>	<u>\$ 725,739</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 25,230,523	\$ 652,522	\$ -	\$ 25,883,045
Machinery and equipment	1,450,062	368,539	-	1,818,601
Total capital assets being depreciated	<u>\$ 26,680,585</u>	<u>\$ 1,021,061</u>	<u>\$ -</u>	<u>\$ 27,701,646</u>
Less: accumulated depreciation for:				
Buildings and improvements	\$ (2,215,268)	\$ (651,929)	\$ -	\$ (2,867,197)
Machinery and equipment	(1,047,141)	(181,856)	-	(1,228,997)
Total accumulated depreciation	<u>\$ (3,262,409)</u>	<u>\$ (833,785)</u>	<u>\$ -</u>	<u>\$ (4,096,194)</u>
Total capital assets being depreciated, net	<u>\$ 23,418,176</u>	<u>\$ 187,276</u>	<u>\$ -</u>	<u>\$ 23,605,452</u>
Governmental activities capital assets, net	<u>\$ 24,676,484</u>	<u>\$ 201,376</u>	<u>\$ (546,669)</u>	<u>\$ 24,331,191</u>

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COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 13-Capital Assets: (Continued)

Primary Government: (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 10,648	\$ -	\$ -	\$ 10,648
Construction in progress	-	5,750	-	5,750
Total capital assets not being depreciated	<u>\$ 10,648</u>	<u>\$ 5,750</u>	<u>\$ -</u>	<u>\$ 16,398</u>
Capital assets, being depreciated:				
Infrastructure	\$ 3,107,276	\$ -	\$ -	\$ 3,107,276
Machinery and equipment	8,000	24,310	-	32,310
Total capital assets being depreciated	<u>\$ 3,115,276</u>	<u>\$ 24,310</u>	<u>\$ -</u>	<u>\$ 3,139,586</u>
Less: accumulated depreciation for:				
Infrastructure	\$ (822,716)	\$ (77,682)	\$ -	\$ (900,398)
Machinery and equipment	(8,000)	(4,423)	-	(12,423)
Total accumulated depreciation	<u>\$ (830,716)</u>	<u>\$ (82,105)</u>	<u>\$ -</u>	<u>\$ (912,821)</u>
Total capital assets being depreciated, net	<u>\$ 2,284,560</u>	<u>\$ (57,795)</u>	<u>\$ -</u>	<u>\$ 2,226,765</u>
Business-type activities capital assets, net	<u>\$ 2,295,208</u>	<u>\$ (52,045)</u>	<u>\$ -</u>	<u>\$ 2,243,163</u>

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COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 13-Capital Assets: (Continued)

Primary Government: (Continued)

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

Governmental activities:	
General government administration	\$ 60,825
Judicial administration	6,379
Public safety	95,775
Public works	97,949
Health and welfare	1,522
Education	509,465
Parks, recreation, and culture	8,579
Community development	53,291
Total depreciation expense-governmental activities	<u>\$ 833,785</u>
Business type activities:	
Water	\$ 82,105
Total depreciation expense-business type activities	<u>\$ 82,105</u>

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COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 13-Capital Assets: (Continued)

Capital asset activity for the School Board for the year ended June 30, 2012 was as follows:

Discretely Presented Component Unit:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 149,483	\$ -	\$ (4,793)	\$ 144,690
Capital assets, being depreciated:				
Buildings	\$ 14,484,301	\$ 31,916	\$ (597,522)	\$ 13,918,695
Machinery and equipment	3,792,580	86,321	(30,202)	3,848,699
Total capital assets being depreciated	\$ 18,276,881	\$ 118,237	\$ (627,724)	\$ 17,767,394
Less: accumulated depreciation for:				
Buildings	\$ (9,911,326)	\$ (303,280)	\$ 523,299	\$ (9,691,307)
Machinery and equipment	(2,452,322)	(262,095)	30,202	(2,684,215)
Total accumulated depreciation	\$ (12,363,648)	\$ (565,375)	\$ 553,501	\$ (12,375,522)
Total capital assets being depreciated, net	\$ 5,913,233	\$ (447,138)	\$ (74,223)	\$ 5,391,872
Governmental activities capital assets, net	\$ 6,062,716	\$ (447,138)	\$ (79,016)	\$ 5,536,562

Note 14-Risk Management:

The County and its component unit – School Board are exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The County and its component unit – School Board participate with other localities in a public entity risk pool for their coverage of general liability and auto insurance with the Virginia Municipal Liability Pool. Each member of each of this risk pool jointly and severally agrees to assume, pay and discharge any liability. The County and its component unit – School Board pay the Virginia Municipal Group contributions and assessments based upon classification 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 a loss deficit and depletion of all available excess insurance, the pool may assess all members in the proportion in 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.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 15-Contingent Liabilities:

Federal programs in which the County and its component units participate were audited in accordance with the provisions of U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements. While matters of noncompliance were disclosed by audit, the Federal Government may subject grant programs to additional compliance tests, which may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

Note 16-Surety Bonds:

Primary Government:

Fidelity & Deposit Company of Maryland-Surety:

Susan Herrington, Clerk of the Circuit Court	\$ 500,000
Fields R. Young, Jr., Treasurer	400,000
Larry Bolt, Commissioner of Revenue	27,000
Richard A. Vaughan, Sheriff	30,000
All Social Services employees-blanket bond	100,000

Travelers Casualty and Surety Company of America:

Board of Supervisors	\$ 100,000
County Administrator's Office	100,000

Component Unit – School Board:

Virginia School Board Association:

All School Board employees-blanket bond	\$ 250,000
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Note 17-Landfill Closure and Postclosure Care Cost:

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 after closure. \$56,479 is the total estimated post-closure care liability at June 30, 2012. This represents the cumulative amount based on the use of 100% of the estimated capacity of the landfill and is based on what it would cost to perform all remaining closure and post-closure in 2012. Actual costs for post-closure monitoring may change due to inflation, deflation, changes in technology or changes in regulations.

The County has demonstrated financial assurance requirements for closure and postclosure care and corrective action costs through the submission of a Local Government Financial Test to the Virginia Department of Environmental Quality in accordance with Section 9VAC20-70 of the Virginia Administrative Code.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 18-Notes Receivable:

Primary Government:

Industrial Development Fund:

On June 5, 2008, the County loaned \$150,000 to US 58 Holdings LLC. The loan is payable in 120 monthly installments of \$1,380.21 starting with the first payment due on August 15, 2008. The note bears interest at the rate of 2%. The outstanding balance at June 30, 2012 was \$105,831.

Community Development Fund:

On October 11, 2000, the County loaned \$200,000 to Grayson Investment, LLC. Interest only payments of 2% are due in annual installments for the first two years. Thereafter, principal and interest payments of \$3,505 are payable in 60 monthly installments until the entire principal balance, together with accrued interest, is paid in full. The outstanding balance at June 30, 2012 was \$64,247.

Note 19-Deferred/Unearned Revenue:

Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Deferred revenue of \$10,955,200 on Exhibit 3 is comprised of the following:

Deferred Property Tax Revenue – Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$10,925,089.

Prepaid Property Taxes – Property taxes due subsequent to June 30, 2012, but paid in advance by the taxpayers totaled \$30,111 at June 30, 2012.

On the Statement of Net Assets, unearned revenue consists of prepaid property taxes, as well as \$10,117,596 in property taxes levied January 1 but not due until December 5, 2012.

Note 20-School Board Early Retirement Incentive Plan:

The Grayson County School Board offers all eligible full-time employees an early retirement incentive plan. Early retirement is available to those contracted employees who are members of the Virginia Retirement System (VRS) and are eligible to retire with the VRS. The employee must have attained age 52 and not having attained age 65. Professional employees must have 30 years of service with the last 10 years being with the Grayson County School System. Support personnel must have at least 20 years of service with the last 10 years being with the Grayson County School System. There were three benefit options that each employee could choose from, with years of service being a determining factor in the options available. The School Board reserves the right to amend or terminate the program.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 20-School Board Early Retirement Incentive Plan: (continued)

Employees may participate in the plan for a maximum of 14 years or until the appropriate age for receipt of social security benefits, whichever occurs first. In the event of the retiree's death, the balance of the ERIP owed will be paid to the retiree's estate. The School Board funds the plan on a pay as you go basis. As of June 30, 2012, the unfunded balance of the early retirement incentive plan totaled \$453,282.

During the fiscal year 2012 the School Board terminated the plan, however, the plan is still paying benefits to employees previously enrolled.

Note 21-Litigation:

At June 30, 2012, there were no matters of litigation involving the County or which would materially affect the County's financial position should any court decisions on pending matters not be favorable to the County.

Required Supplementary Information

County of Grayson, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
General property taxes	\$ 9,056,000	\$ 9,056,000	\$ 9,717,645	\$ 661,645
Other local taxes	1,094,000	1,094,000	1,207,281	113,281
Permits, privilege fees, and regulatory licenses	97,200	97,200	87,487	(9,713)
Fines and forfeitures	23,000	23,000	22,033	(967)
Revenue from the use of money and property	42,000	42,000	44,440	2,440
Charges for services	1,392,818	1,392,818	1,573,152	180,334
Miscellaneous	112,500	80,481	223,235	142,754
Recovered costs	200,000	200,000	318,903	118,903
Intergovernmental revenues:				
Commonwealth	3,745,245	3,745,245	3,636,760	(108,485)
Federal	1,249,659	1,249,659	1,002,221	(247,438)
Total revenues	<u>\$ 17,012,422</u>	<u>\$ 16,980,403</u>	<u>\$ 17,833,157</u>	<u>\$ 852,754</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,492,206	\$ 1,288,713	\$ 1,217,199	\$ 71,514
Judicial administration	841,232	861,963	763,200	98,763
Public safety	3,279,021	3,397,028	3,230,783	166,245
Public works	1,417,045	1,532,015	1,403,871	128,144
Health and welfare	2,607,284	2,607,284	2,578,416	28,868
Education	4,341,422	4,341,423	4,582,556	(241,133)
Parks, recreation, and cultural	442,485	442,678	432,114	10,564
Community development	1,300,357	1,228,929	644,680	584,249
Capital projects	1,341,370	1,341,370	-	1,341,370
Debt service:				
Principal retirement	-	-	18,434,255	(18,434,255)
Interest and other fiscal charges	-	-	642,784	(642,784)
Total expenditures	<u>\$ 17,062,422</u>	<u>\$ 17,041,403</u>	<u>\$ 33,929,858</u>	<u>\$ (16,888,455)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (50,000)</u>	<u>\$ (61,000)</u>	<u>\$ (16,096,701)</u>	<u>\$ (16,035,701)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 2,719,528	\$ 2,719,528
Transfers out	-	-	(2,712,739)	(2,712,739)
Capital lease	-	-	97,066	97,066
Issuance of lease revenue bonds	50,000	50,000	17,900,000	17,850,000
Total other financing sources and uses	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ 18,003,855</u>	<u>\$ 17,953,855</u>
Net change in fund balances	\$ -	\$ (11,000)	\$ 1,907,154	\$ 1,918,154
Fund balances - beginning	-	-	4,918,053	4,918,053
Fund balances - ending	<u>\$ -</u>	<u>\$ (11,000)</u>	<u>\$ 6,825,207</u>	<u>\$ 6,836,207</u>

County of Grayson, Virginia
Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2012

	Community Development			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 2,831	\$ 2,831
Total revenues	\$ -	\$ -	\$ 2,831	\$ 2,831
EXPENDITURES				
Total expenditures	\$ -	\$ -	\$ -	\$ -
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 2,831	\$ 2,831
Net change in fund balances	\$ -	\$ -	\$ 2,831	\$ 2,831
Fund balances - beginning	-	-	434,035	434,035
Fund balances - ending	\$ -	\$ -	\$ 436,866	\$ 436,866

County of Grayson, Virginia
Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2012

For the Year Ended June 30, 2012

	Industrial Development			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 1,778	\$ 1,778
Total revenues	\$ -	\$ -	\$ 1,778	\$ 1,778
EXPENDITURES				
Current:				
Community development	\$ -	\$ -	\$ 25,000	\$ (25,000)
Total expenditures	\$ -	\$ -	\$ 25,000	\$ (25,000)
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ (23,222)	\$ (23,222)
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 25,000	\$ 25,000
Transfers out	-	-	(50,000)	(50,000)
Total other financing sources (uses)	\$ -	\$ -	\$ (25,000)	\$ (25,000)
Net change in fund balances	\$ -	\$ -	\$ (48,222)	\$ (48,222)
Fund balances - beginning	-	-	666,965	666,965
Fund balances - ending	\$ -	\$ -	\$ 618,743	\$ 618,743

County of Grayson, Virginia
Schedule of Pension and OPEB Funding Progress
For the Year Ended June 30, 2012

Primary Government:
County Retirement Plan

Valuation as of (1)	Actuarial Value of Assets (2)	Actuarial Accrued Liability (AAL) (3)	Unfunded AAL (UAAL) (3) - (2) (4)	Funded Ratio Assets as % of AAL (2)/(3) (5)	Annual Covered Payroll (6)	UAAL as a % of Covered Payroll (4)/(6) (7)
June 30, 2011	\$ 13,726,308	\$ 19,925,559	\$ 6,199,251	68.89%	\$ 3,381,756	183.31%
June 30, 2010	13,666,549	19,167,412	5,500,863	71.30%	3,378,670	162.81%
June 30, 2009	13,974,296	17,490,935	3,516,639	79.89%	3,396,258	103.54%

County Postemployment Healthcare Plan

Valuation as of (1)	Actuarial Value of Assets (2)	Actuarial Accrued Liability (AAL) (3)	Unfunded AAL (UAAL) (3) - (2) (4)	Funded Ratio Assets as % of AAL (2)/(3) (5)	Annual Covered Payroll (6)	UAAL as a % of Covered Payroll (4)/(6) (7)
July 1, 2011R	\$ -	\$ 403,300	\$ 403,300	0.00%	\$ 3,466,000	11.6%
July 1, 2010	-	399,900	399,900	0.00%	3,382,000	11.8%
July 1, 2009R	-	454,100	454,100	0.00%	3,281,000	13.8%

Discretely Presented Component Unit:

School Board Non-Professional Retirement Plan

Valuation as of (1)	Actuarial Value of Assets (2)	Actuarial Accrued Liability (AAL) (3)	Unfunded AAL (UAAL) (3) - (2) (4)	Funded Ratio Assets as % of AAL (2)/(3) (5)	Annual Covered Payroll (6)	UAAL as a % of Covered Payroll (4)/(6) (7)
June 30, 2011	\$ 3,764,341	\$ 4,712,192	\$ 947,851	79.89%	\$ 1,195,932	79.26%
June 30, 2010	3,693,744	4,535,472	841,728	81.44%	1,222,230	68.87%
June 30, 2009	3,665,875	4,141,821	475,946	88.51%	1,290,858	36.87%

School Board Postemployment Healthcare Plan

Valuation as of (1)	Actuarial Value of Assets (2)	Actuarial Accrued Liability (AAL) (3)	Unfunded AAL (UAAL) (3) - (2) (4)	Funded Ratio Assets as % of AAL (2)/(3) (5)	Annual Covered Payroll (6)	UAAL as a % of Covered Payroll (4)/(6) (7)
July 1, 2010R	\$ -	\$ 2,617,800	\$ 2,617,800	0.00%	\$ 11,019,600	23.76%
July 1, 2010	-	2,658,100	2,658,100	0.00%	10,750,800	24.72%
July 1, 2008R	-	1,683,000	1,683,000	0.00%	11,559,000	14.56%

R indicates roll forward of prior years results, no actuarial report provided

Other Supplementary Information

County of Grayson, Virginia
 Capital Projects Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2012

	School Construction Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 526	\$ 526
Total revenues	\$ -	\$ -	\$ 526	\$ 526
EXPENDITURES				
Total expenditures	\$ -	\$ -	\$ -	\$ -
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 526	\$ 526
Net change in fund balances	\$ -	\$ -	\$ 526	\$ 526
Fund balances - beginning	-	-	205,738	205,738
Fund balances - ending	\$ -	\$ -	\$ 206,264	\$ 206,264

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.

Building Code Fund – The Building Code fund accounts for those funds received from citizens for building permits for subsequent remittance to the Commonwealth of Virginia.

ASAP Fund – The ASAP fund accounts for those funds held for the Mount Rogers Alcohol Safety Action Program.

Regional Library Fund – The Regional Library fund accounts for those funds held for the Wythe-Grayson Regional Library

County of Grayson, Virginia
Combining Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

		Agency Funds				
		Special Welfare	Building Code Fund	ASAP Fund	Regional Library	Total
ASSETS						
Cash and cash equivalents	\$	1,896	\$ 414	\$ 181,346	\$ 57,407	\$ 241,063
Receivables:						
Other receivables		-	-	12,621	-	12,621
Investments:						
Other investments		-	-	171,623	-	171,623
Total assets	\$	1,896	\$ 414	\$ 365,590	\$ 57,407	\$ 425,307
LIABILITIES						
Due to other governmental units	\$	-	\$ -	\$ 36,131	\$ -	\$ 36,131
Amounts held for social services clients		1,896	-	-	-	1,896
Amounts held for subsequent remittance to State for surcharge		-	414	-	-	414
Amounts held for Mt. Rogers Alcohol Safety Action Program		-	-	329,459	-	329,459
Amounts held for Grayson Regional Library		-	-	-	57,407	57,407
Total liabilities	\$	1,896	\$ 414	\$ 365,590	\$ 57,407	\$ 425,307

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD

MAJOR GOVERNMENTAL FUNDS

School Operating Fund - The School Operating Fund is a special revenue fund that 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 Grayson, Virginia
Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2012

	School Operating Fund
ASSETS	
Cash in custody of others	\$ 812,659
Prepaid expenses	180,510
Receivables (net of allowance for uncollectibles):	
Accounts receivable	29,798
Due from other governmental units	654,582
Total assets	<u>\$ 1,677,549</u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 128,416
Accrued liabilities	808,072
Due to primary government	739,106
Total liabilities	<u>\$ 1,675,594</u>
Fund balances:	
Nonspendable	
Prepaid expenses	\$ 180,510
Committed	
Textbooks	4
Cafeteria	1,955
Unassigned	(180,514)
Total fund balances	<u>\$ 1,955</u>
Total liabilities and fund balances	<u>\$ 1,677,549</u>

Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:

Total fund balances per above	\$ 1,955
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	5,536,562
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Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(1,072,605)
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Net assets of governmental activities	<u>\$ 4,465,912</u>
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County of Grayson, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2012

	School Operating Fund
REVENUES	
Revenue from the use of money and property	\$ 80
Charges for services	344,107
Miscellaneous	458,679
Recovered costs	17,594
Intergovernmental revenues:	
Local government	4,528,944
Commonwealth	11,191,472
Federal	4,075,173
Total revenues	<u>\$ 20,616,049</u>
EXPENDITURES	
Current:	
Education	\$ 20,615,299
Total expenditures	<u>\$ 20,615,299</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 750</u>
Net change in fund balances	\$ 750
Fund balances - beginning	1,205
Fund balances - ending	<u>\$ 1,955</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	\$ 750
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.	(447,138)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.	(79,016)
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.	68,238
Change in net assets of governmental activities	<u>\$ (457,166)</u>

County of Grayson, 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, 2012

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 80	\$ 80
Charges for services	64,000	64,000	344,107	280,107
Miscellaneous	275,504	275,504	458,679	183,175
Recovered costs	145,853	145,853	17,594	(128,259)
Intergovernmental revenues:				
Local government	4,282,761	4,282,761	4,528,944	246,183
Commonwealth	11,780,956	11,780,956	11,191,472	(589,484)
Federal	3,120,890	3,120,890	4,075,173	954,283
Total revenues	\$ 19,669,964	\$ 19,669,964	\$ 20,616,049	\$ 946,085
EXPENDITURES				
Current:				
Education	\$ 19,669,964	\$ 19,669,964	\$ 20,615,299	\$ (945,335)
Total expenditures	\$ 19,669,964	\$ 19,669,964	\$ 20,615,299	\$ (945,335)
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 750	\$ 750
Net change in fund balances	\$ -	\$ -	\$ 750	\$ 750
Fund balances - beginning	-	-	1,205	1,205
Fund balances - ending	\$ -	\$ -	\$ 1,955	\$ 1,955

Supporting Schedules

County of Grayson, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

Schedule 1
Page 1 of 5

<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	\$ 7,575,000	\$ 7,575,000	\$ 7,927,988	\$ 352,988
Real and personal public service corporation taxes	150,000	150,000	192,077	42,077
Personal property taxes	1,150,000	1,150,000	1,246,682	96,682
Mobile home taxes	20,000	20,000	23,586	3,586
Machinery and tools taxes	75,000	75,000	82,487	7,487
Merchant's capital	25,000	25,000	37,555	12,555
Penalties	30,000	30,000	89,412	59,412
Interest	31,000	31,000	117,858	86,858
Total general property taxes	\$ 9,056,000	\$ 9,056,000	\$ 9,717,645	\$ 661,645
Other local taxes:				
Local sales and use taxes	\$ 360,000	\$ 360,000	\$ 411,400	\$ 51,400
Consumers' utility taxes	340,000	340,000	341,638	1,638
E-911 telephone taxes	-	-	25,643	25,643
Utility license tax	39,000	39,000	35,764	(3,236)
Motor vehicle licenses	275,000	275,000	296,619	21,619
Franchise license tax	10,000	10,000	1,553	(8,447)
Taxes on wills	2,000	2,000	6,052	4,052
Taxes on recordation	60,000	60,000	66,758	6,758
Hotel and motel room taxes	8,000	8,000	10,800	2,800
Bank stock tax	-	-	11,054	11,054
Total other local taxes	\$ 1,094,000	\$ 1,094,000	\$ 1,207,281	\$ 113,281
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 8,500	\$ 8,500	\$ 9,398	\$ 898
Zoning permits	3,000	3,000	5,891	2,891
Transfer fees	700	700	747	47
Building permits	85,000	85,000	71,451	(13,549)
Total permits, privilege fees, and regulatory licenses	\$ 97,200	\$ 97,200	\$ 87,487	\$ (9,713)
Fines and forfeitures:				
Court fines and forfeitures	\$ 23,000	\$ 23,000	\$ 22,033	\$ (967)
Revenue from use of money and property:				
Revenue from use of property	\$ 42,000	\$ 42,000	\$ 44,440	\$ 2,440
Charges for services:				
Charges for special law enforcement	\$ -	\$ -	\$ 25,689	\$ 25,689
Charges for law enforcement and traffic control	45,818	45,818	27,197	(18,621)
Charges for courthouse maintenance	3,000	3,000	2,954	(46)
Charges for courthouse security	8,000	8,000	12,099	4,099
Charges for court appointed attorney	-	-	150	150
Charges for Commonwealth's Attorney	1,000	1,000	2,686	1,686
Miscellaneous jail and inmate fees	500	500	1,232	732
Charges for ASAP	-	-	7,080	7,080
Charges for law library	-	-	1,703	1,703
Charges for sanitation and waste removal	160,000	160,000	273,718	113,718
Charges for trash fees	1,101,500	1,101,500	1,136,357	34,857
Charges for recycling	20,000	20,000	13,444	(6,556)
Charges for parks and recreation	50,000	50,000	43,975	(6,025)
Other charges for services	3,000	3,000	24,868	21,868
Total charges for services	\$ 1,392,818	\$ 1,392,818	\$ 1,573,152	\$ 180,334

County of Grayson, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

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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)				
Miscellaneous revenue:				
Miscellaneous	\$ 112,500	\$ 80,481	\$ 217,765	\$ 137,284
Recreational donations	-	-	5,470	5,470
Total miscellaneous revenue	\$ 112,500	\$ 80,481	\$ 223,235	\$ 142,754
Recovered costs:				
City of Galax	\$ 200,000	\$ 200,000	\$ 282,772	\$ 82,772
Other recovered costs	-	-	36,131	36,131
Total recovered costs	\$ 200,000	\$ 200,000	\$ 318,903	\$ 118,903
Total revenue from local sources	\$ 12,017,518	\$ 11,985,499	\$ 13,194,176	\$ 1,208,677
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle rolling stock tax	\$ 2,000	\$ 2,000	\$ 70	\$ (1,930)
Mobile home titling tax	6,000	6,000	9,766	3,766
Motor vehicle rental tax	-	-	672	672
Grantor's tax	19,000	19,000	17,771	(1,229)
State recordation tax	20,000	20,000	13,857	(6,143)
Communication tax	340,000	340,000	362,858	22,858
Personal property tax relief funds	415,000	415,000	437,787	22,787
Total noncategorical aid	\$ 802,000	\$ 802,000	\$ 842,781	\$ 40,781
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 250,125	\$ 250,125	\$ 238,010	\$ (12,115)
Sheriff	944,785	944,785	926,615	(18,170)
Commissioner of revenue	75,220	75,220	74,559	(661)
Treasurer	81,400	81,400	92,486	11,086
Registrar/electoral board	-	-	49,602	49,602
Clerk of the Circuit Court	189,900	189,900	207,224	17,324
Funds returned to the Commonwealth	-	-	(91,965)	(91,965)
Total shared expenses	\$ 1,541,430	\$ 1,541,430	\$ 1,496,531	\$ (44,899)
Other categorical aid:				
Public assistance and welfare administration	\$ 596,775	\$ 596,775	\$ 593,183	\$ (3,592)
Comprehensive services act	552,370	552,370	458,633	(93,737)
Victim witness	26,095	26,095	23,253	(2,842)
Fire programs	35,000	35,000	80,828	45,828
Rescue squad assistance	30,000	30,000	15,120	(14,880)
Sheriff department grants	87,575	87,575	-	(87,575)
Local block grant	-	-	4,447	4,447
Tourism grant	20,000	20,000	2,775	(17,225)
Rents from mining on federal lands	1,000	1,000	1,237	237
Litter grant	6,000	6,000	5,772	(228)
Clerk of the circuit court grant	-	-	9,964	9,964
Asset Forfeiture	-	-	2,901	2,901
Arts and humanities grant	-	-	2,000	2,000
School resource officer	-	-	17,495	17,495
Virginia Juvenile CCC	47,000	47,000	57,467	10,467
Criminal justice crime history records grant	-	-	22,373	22,373
Total other categorical aid	\$ 1,401,815	\$ 1,401,815	\$ 1,297,448	\$ (104,367)
Total categorical aid	\$ 2,943,245	\$ 2,943,245	\$ 2,793,979	\$ (149,266)
Total revenue from the Commonwealth	\$ 3,745,245	\$ 3,745,245	\$ 3,636,760	\$ (108,485)

County of Grayson, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

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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 revenues: (Continued)				
Revenue from the federal government:				
Non-categorical aid:				
Payments in lieu of taxes	\$ 11,000	\$ 11,000	\$ 15,735	\$ 4,735
Categorical aid:				
Public assistance and welfare administration	\$ 864,217	\$ 864,217	\$ 859,016	\$ (5,201)
Emergency preparedness	-	-	17,000	17,000
TEA fund	374,442	374,442	77,814	(296,628)
Ground transportation grant	-	-	32,656	32,656
Total categorical aid	\$ 1,238,659	\$ 1,238,659	\$ 986,486	\$ (252,173)
Total revenue from the federal government	\$ 1,249,659	\$ 1,249,659	\$ 1,002,221	\$ (247,438)
Total General Fund	\$ 17,012,422	\$ 16,980,403	\$ 17,833,157	\$ 852,754
Special Revenue Funds:				
Community Development Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 2,831	\$ 2,831
Total revenue from use of money and property	\$ -	\$ -	\$ 2,831	\$ 2,831
Total revenue from local sources	\$ -	\$ -	\$ 2,831	\$ 2,831
Total Community Development Fund	\$ -	\$ -	\$ 2,831	\$ 2,831
Industrial Development Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 1,778	\$ 1,778
Total revenue from local sources	\$ -	\$ -	\$ 1,778	\$ 1,778
Total Industrial Development Fund	\$ -	\$ -	\$ 1,778	\$ 1,778
Capital Projects Fund:				
School Construction Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 526	\$ 526
Total School Construction Fund	\$ -	\$ -	\$ 526	\$ 526
Total Primary Government	\$ 17,012,422	\$ 16,980,403	\$ 17,838,292	\$ 857,889

County of Grayson, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

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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	\$ -	\$ -	\$ 80	\$ 80
Charges for services:				
Special pupil fees	\$ 12,000	\$ 12,000	\$ 20,150	\$ 8,150
Textbook fees	500	500	-	(500)
Cafeteria sales	45,000	45,000	322,153	277,153
Transportation of pupils	6,500	6,500	1,804	(4,696)
Total charges for services	\$ 64,000	\$ 64,000	\$ 344,107	\$ 280,107
Miscellaneous revenue:				
Other miscellaneous	\$ 275,504	\$ 275,504	\$ 458,679	\$ 183,175
Recovered costs:				
Payments from other localities	\$ 145,853	\$ 145,853	\$ 17,594	\$ (128,259)
Total revenue from local sources	\$ 485,357	\$ 485,357	\$ 820,460	\$ 335,103
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Grayson, Virginia	\$ 4,282,761	\$ 4,282,761	\$ 4,528,944	\$ 246,183
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 2,041,226	\$ 2,041,226	\$ 2,043,691	\$ 2,465
Basic school aid	6,175,372	6,175,372	5,885,662	(289,710)
Remedial summer education	44,368	44,368	38,744	(5,624)
ISAP	7,859	7,859	7,859	-
Gifted and talented	57,284	57,284	55,228	(2,056)
Remedial education	224,045	224,045	216,004	(8,041)
Special education	679,774	679,774	655,377	(24,397)
Composite index transition	206,625	206,625	206,625	-
Textbook payment	51,632	51,632	62,227	10,595
School food	13,505	13,505	12,468	(1,037)
Vocational standards of quality payments	281,330	281,330	271,233	(10,097)
Vocational adult education	-	-	530	530
Social security fringe benefits	400,990	400,990	386,599	(14,391)
Retirement fringe benefits	362,801	362,801	349,780	(13,021)
Group life insurance fringe benefit	15,276	15,276	14,728	(548)
Early reading intervention	31,092	31,092	26,946	(4,146)
Special education - Homebound	28,228	28,228	31,941	3,713
Special education - tuition	144,162	144,162	149,989	5,827
School breakfast	6,649	6,649	5,361	(1,288)
Industry certification cost	-	-	3,312	3,312
Project graduation	9,692	9,692	16,350	6,658
Vocational occupational preparedness	32,366	32,366	28,432	(3,934)
Virginia preschool initiative	135,076	135,076	135,076	-
Mentor teacher program	-	-	563	563
Standards of Learning algebra readiness	27,668	27,668	27,668	-

County of Grayson, Virginia
Schedule of Revenues - Budget and Actual
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For the Year Ended June 30, 2012

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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 revenues: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Supplemental support for school operating costs	\$ 161,127	\$ 161,127	\$ 159,082	\$ (2,045)
National board certified teacher	-	-	10,000	10,000
Primary class size	55,913	55,913	56,109	196
Technology	232,000	232,000	-	(232,000)
English as a second language	21,786	21,786	19,907	(1,879)
At risk payments	252,644	252,644	243,370	(9,274)
Jobs for Virginia graduates	21,000	21,000	20,475	(525)
Virginia foundation for healthy youth	59,466	59,466	46,188	(13,278)
Other categorical aid	-	-	3,948	3,948
Total categorical aid	\$ 11,780,956	\$ 11,780,956	\$ 11,191,472	\$ (589,484)
Total revenue from the Commonwealth	\$ 11,780,956	\$ 11,780,956	\$ 11,191,472	\$ (589,484)
Revenue from the federal government:				
Categorical aid:				
Forest reserve fund	\$ -	\$ -	\$ 72,527	\$ 72,527
Title I	851,741	851,741	775,992	(75,749)
Title I - Recovery act	-	-	41,303	41,303
1003 g school improvement-ARRA	550,000	550,000	364,937	(185,063)
Title VI-B, special education flow-through	483,941	483,941	485,716	1,775
Title VI-B special education flow-through ARRA	-	-	535,281	535,281
Title VI-B, special education pre-school	22,077	22,077	22,078	1
Title VI-B, special education pre-school ARRA	-	-	18,025	18,025
Title IV	-	-	446,769	446,769
Drug free schools	-	-	11,114	11,114
Title II, basic skills	161,134	161,134	102,787	(58,347)
Title III	1,334	1,334	-	(1,334)
National school breakfast program	207,147	207,147	210,830	3,683
National school lunch breakfast program	491,225	491,225	497,666	6,441
Surplus commodities	-	-	53,603	53,603
Fresh fruits and vegetables	-	-	21,923	21,923
Education Jobs Fund - ARRA	234,038	234,038	-	(234,038)
State Fiscal Stabilization Fund - Recovery act	-	-	287,904	287,904
Gear up grant	25,615	25,615	24,685	(930)
Perkins	63,000	63,000	51,446	(11,554)
Learn and serve grant	24,440	24,440	3,037	(21,403)
Title VI, rural and low income school administration	-	-	47,550	47,550
Other categorical aid	5,198	5,198	-	(5,198)
Total categorical aid	\$ 3,120,890	\$ 3,120,890	\$ 4,075,173	\$ 954,283
Total revenue from the federal government	\$ 3,120,890	\$ 3,120,890	\$ 4,075,173	\$ 954,283
Total School Operating Fund	\$ 19,669,964	\$ 19,669,964	\$ 20,616,049	\$ 946,085
Total Discretely Presented Component Unit - School Board	\$ 19,669,964	\$ 19,669,964	\$ 20,616,049	\$ 946,085

County of Grayson, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

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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	\$ 56,294	\$ 62,434	\$ 57,987	\$ 4,447
General and financial administration:				
County administrator	\$ 492,545	\$ 388,855	\$ 381,503	\$ 7,352
Audit services	75,000	75,000	59,188	15,812
Legal services	35,000	68,468	75,412	(6,944)
Commissioner of revenue	244,540	247,804	244,921	2,883
Assessor	40,000	40,000	-	40,000
Treasurer	251,931	251,931	252,367	(436)
Other general and financial administration	175,896	7,947		7,947
Total general and financial administration	\$ 1,314,912	\$ 1,080,005	\$ 1,013,391	\$ 66,614
Board of elections:				
Registrar	\$ 89,758	\$ 95,607	\$ 94,925	\$ 682
Electoral board and officials	31,242	50,667	50,896	(229)
Total board of elections	\$ 121,000	\$ 146,274	\$ 145,821	\$ 453
Total general government administration	\$ 1,492,206	\$ 1,288,713	\$ 1,217,199	\$ 71,514
Judicial administration:				
Courts:				
Circuit court	\$ 5,000	\$ 5,000	\$ 1,291	\$ 3,709
General district court	7,950	7,950	7,132	818
Special magistrates	1,720	1,720	1,464	256
Juvenile and domestic relations court	45,000	45,000	38,223	6,777
VJCCA	11,000	14,473	14,460	13
Courthouse	32,720	35,210	35,210	-
Asset forfeiture	-	-	1,113	(1,113)
Law library	6,600	6,600	3,802	2,798
Community	35,000	43,389	43,177	212
Shoplifting	225	225	213	12
Substance	1,400	1,967	1,967	-
Anger	2,850	3,689	3,701	(12)
Clerk of the circuit court	298,006	302,979	277,821	25,158
Total courts	\$ 447,471	\$ 468,202	\$ 429,574	\$ 38,628
Commonwealth's attorney:				
Commonwealth's attorney	\$ 361,854	\$ 361,854	\$ 302,426	\$ 59,428
Victim witness	31,907	31,907	31,200	707
Total commonwealth's attorney	\$ 393,761	\$ 393,761	\$ 333,626	\$ 60,135
Total judicial administration	\$ 841,232	\$ 861,963	\$ 763,200	\$ 98,763
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 1,758,272	\$ 1,864,009	\$ 1,891,958	\$ (27,949)
Total law enforcement and traffic control	\$ 1,758,272	\$ 1,864,009	\$ 1,891,958	\$ (27,949)
Fire and rescue services:				
Volunteer fire department	\$ 197,000	\$ 206,069	\$ 206,069	\$ -
Ambulance and rescue services	169,649	180,748	165,170	15,578
E-911 fund	173,524	173,524	176,346	(2,822)
Total fire and rescue services	\$ 540,173	\$ 560,341	\$ 547,585	\$ 12,756

County of Grayson, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

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<u>Fund, Function, Activity, and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public safety: (Continued)				
Correction and detention:				
Regional jail payments	\$ 725,000	\$ 716,000	\$ 534,389	\$ 181,611
Inspections:				
Building	\$ 117,083	\$ 117,192	\$ 110,263	\$ 6,929
Other protection:				
Animal warden	\$ 93,951	\$ 94,944	\$ 106,094	\$ (11,150)
Day report	42,542	42,542	40,214	2,328
Medical examiner	2,000	2,000	280	1,720
Total other protection	\$ 138,493	\$ 139,486	\$ 146,588	\$ (7,102)
Total public safety	\$ 3,279,021	\$ 3,397,028	\$ 3,230,783	\$ 166,245
Public works:				
Sanitation and waste removal:				
Refuse collection	\$ 749,844	\$ 739,099	\$ 662,834	\$ 76,265
Refuse disposal	342,500	342,500	329,220	13,280
Recycling program	43,662	164,332	162,828	1,504
Total sanitation and waste removal	\$ 1,136,006	\$ 1,245,931	\$ 1,154,882	\$ 91,049
Maintenance of general buildings and grounds:				
General properties	\$ 145,440	\$ 146,078	\$ 135,425	\$ 10,653
Jail building	17,700	17,700	15,658	2,042
Courthouse	114,399	118,806	97,497	21,309
Health center	3,500	3,500	409	3,091
Total maintenance of general buildings and grounds	\$ 281,039	\$ 286,084	\$ 248,989	\$ 37,095
Total public works	\$ 1,417,045	\$ 1,532,015	\$ 1,403,871	\$ 128,144
Health and welfare:				
Health:				
Supplement of local health department	\$ 167,310	\$ 167,310	\$ 167,310	\$ -
Mental health and mental retardation:				
Chapter X board	\$ 45,000	\$ 45,000	\$ 33,750	\$ 11,250
Welfare:				
Welfare administration	\$ 1,058,365	\$ 1,058,365	\$ 1,095,542	\$ (37,177)
Public assistance	621,680	621,680	643,517	(21,837)
Comprehensive services act	700,000	700,000	610,625	89,375
Other welfare	14,929	14,929	27,672	(12,743)
Total welfare	\$ 2,394,974	\$ 2,394,974	\$ 2,377,356	\$ 17,618
Total health and welfare	\$ 2,607,284	\$ 2,607,284	\$ 2,578,416	\$ 28,868
Education:				
Other instructional costs:				
Contributions to Community College	\$ 58,661	\$ 58,662	\$ 53,612	\$ 5,050
Contribution to County School Board	4,282,761	4,282,761	4,528,944	(246,183)
Total education	\$ 4,341,422	\$ 4,341,423	\$ 4,582,556	\$ (241,133)
Parks, recreation, and cultural:				
Parks and recreation:				
Recreational	\$ 209,746	\$ 209,939	\$ 200,599	\$ 9,340

County of Grayson, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

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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)				
Parks, recreation, and cultural: (Continued)				
Library:				
Contribution to regional library	\$ 232,739	\$ 232,739	\$ 231,515	\$ 1,224
Total parks, recreation, and cultural	\$ 442,485	\$ 442,678	\$ 432,114	\$ 10,564
Community development:				
Planning and community development:				
Planning commission	\$ 28,450	\$ 28,450	\$ 18,341	\$ 10,109
Tourism development	30,000	30,000	30,377	(377)
Twin county airport	23,000	23,000	23,000	-
TEA grant	374,442	374,442	83,232	291,210
Multi-flora rose	450	450	18	432
Economic development	153,521	80,321	46,073	34,248
Other community development	624,346	624,625	395,215	229,410
Total planning and community development	\$ 1,234,209	\$ 1,161,288	\$ 596,256	\$ 565,032
Environmental management:				
Contribution to soil and water district	\$ 5,200	\$ 5,200	\$ 5,200	-
Cooperative extension program:				
Extension office	\$ 60,948	\$ 62,441	\$ 43,224	\$ 19,217
Total community development	\$ 1,300,357	\$ 1,228,929	\$ 644,680	\$ 584,249
Capital projects:				
Other capital projects	\$ 1,341,370	\$ 1,341,370	\$ -	\$ 1,341,370
Debt service:				
Principal retirement	\$ -	\$ -	\$ 18,434,255	\$ (18,434,255)
Interest and other fiscal charges	-	-	642,784	(642,784)
Total debt service	\$ -	\$ -	\$ 19,077,039	\$ (19,077,039)
Total General Fund	\$ 17,062,422	\$ 17,041,403	\$ 33,929,858	\$ (16,888,455)
Industrial Development Fund				
Community Development:				
Industrial development	\$ -	\$ -	\$ 25,000	\$ (25,000)
Total Industrial Development Fund	\$ -	\$ -	\$ 25,000	\$ (25,000)
Total Primary Government	\$ 17,062,422	\$ 17,041,403	\$ 33,954,858	\$ (16,913,455)

County of Grayson, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

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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>
Discretely Presented Component Unit - School Board				
School Operating Fund:				
Education:				
Administration of schools:				
Administration, attendance and health	\$ 785,439	\$ 785,439	\$ 750,356	\$ 35,083
Instructional costs:				
Classroom instruction	\$ 14,613,734	\$ 14,613,734	\$ 15,040,679	\$ (426,945)
Operating costs:				
School food	\$ 758,526	\$ 758,526	\$ 1,159,402	\$ (400,876)
Pupil transportation	1,503,042	1,503,042	1,451,007	52,035
Operation and maintenance of school plant	2,009,223	2,009,223	2,149,224	(140,001)
Facilities	-	-	64,631	(64,631)
Total operating costs	\$ 4,270,791	\$ 4,270,791	\$ 4,824,264	\$ (553,473)
Total education	\$ 19,669,964	\$ 19,669,964	\$ 20,615,299	\$ (945,335)
Total School Operating Fund	\$ 19,669,964	\$ 19,669,964	\$ 20,615,299	\$ (945,335)
Total Discretely Presented Component Unit - School Board	\$ 19,669,964	\$ 19,669,964	\$ 20,615,299	\$ (945,335)

Statistical Information

Table 1

County of Grayson, 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	Interest on Long-Term Debt	Water Authority	Total
2011-12	\$ 1,008,351	\$ 773,326	\$ 3,160,218	\$ 1,199,271	\$ 2,562,695	\$ 5,169,448	\$ 413,036	\$ 724,623	\$ 544,422	\$ 263,930	\$ 15,819,320
2010-11	1,086,469	789,512	2,991,393	1,326,795	2,377,040	4,960,032	451,087	703,919	665,468	260,913	15,602,628
2009-10	1,220,378	613,634	3,061,422	1,382,333	2,492,346	4,416,305	320,739	1,216,399	685,093	173,138	15,581,787
2008-09	1,123,374	693,287	2,826,665	1,283,720	2,590,431	3,735,678	433,753	935,741	681,982	150,575	14,455,206
2007-08	893,250	683,193	2,487,752	1,274,895	2,438,176	4,603,796	453,423	650,528	343,186	142,093	13,970,292
2006-07	849,213	651,875	2,323,227	1,110,438	2,343,146	3,515,508	203,336	437,541	105,426	157,779	11,697,489
2005-06	824,348	662,423	2,359,612	1,146,742	2,385,991	3,299,957	184,361	396,003	18,590	133,723	11,411,750
2004-05	886,220	367,927	2,276,290	1,013,789	2,483,840	4,306,197	343,845	723,151	87,511	158,840	12,647,610
2003-04	815,905	285,987	2,016,822	919,099	2,842,738	4,007,809	331,340	452,427	124,277	122,592	11,918,996
2002-03	757,066	396,322	1,886,682	1,042,782	2,804,253	3,833,556	327,999	478,573	114,574	140,883	11,782,690

Table 2

County of Grayson, 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	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs	Total
2011-12	\$ 1,892,336	\$ 3,702,651	\$ 77,814	\$	9,854,958	1,207,281	49,575	223,235	858,516	\$ 17,866,366
2010-11	1,774,251	3,530,700	1,130,667		9,705,791	1,187,265	46,102	116,907	901,066	18,392,749
2009-10	1,651,962	4,710,759	591,384		7,102,465	1,253,058	60,409	237,769	886,581	16,494,387
2008-09	479,492	4,062,893	-		6,399,521	1,666,459	348,547	98,332	596,129	13,651,373
2007-08	507,496	3,818,437	77,814		6,181,765	1,716,432	320,763	120,632	590,274	13,333,613
2006-07	397,917	3,629,836	185,121		6,112,092	1,668,962	296,834	224,502	596,605	13,111,869
2005-06	408,753	2,766,331	-		6,051,456	1,582,387	302,936	385,391	1,543,352	13,040,606
2004-05	423,183	2,826,205	-		6,044,936	1,653,557	160,420	253,822	2,759,376	14,121,499
2003-04	393,762	3,448,132	-		5,579,436	1,527,577	124,999	165,721	943,526	12,183,153
2002-03	395,144	3,781,281	-		5,163,344	1,488,192	133,976	230,046	631,238	11,823,221

Table 3

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

Fiscal Year	General Government			Judicial Administration	Public Safety	Public Works	Health and Welfare		Education (2)	Parks, Recreation, and Cultural		Community Development	Debt Service	Total		
	\$		\$				\$	\$		\$						
2011-12	\$	1,217,199	\$	763,200	\$	3,230,783	\$	2,578,416	\$	20,668,911	\$	669,680	\$	19,077,039	\$	50,041,213
2010-11		1,293,198		781,229		2,897,363		2,367,933		22,516,521		657,763		2,438,853		35,571,664
2009-10		1,394,457		736,291		3,044,741		2,484,195		21,473,545		1,169,713		2,712,923		34,854,389
2008-09		1,262,259		701,381		2,869,603		2,589,793		23,094,232		916,625		1,988,292		35,166,202
2007-08		993,506		686,829		2,487,696		2,449,335		21,234,923		608,193		619,217		30,926,379
2006-07		957,415		655,654		2,342,748		2,357,615		22,669,857		389,308		386,031		31,142,814
2005-06		901,030		658,821		2,359,812		2,383,671		18,925,440		395,563		235,275		27,194,098
2004-05		820,660		529,870		2,370,887		2,494,902		18,188,269		723,857		1,486,750		27,989,981
2003-04		774,740		414,770		2,026,132		2,875,274		18,806,243		453,787		502,748		27,191,908
2002-03		757,292		417,573		1,919,058		2,800,860		18,732,060		477,002		379,740		26,792,043

(1) Includes General and Special Revenue funds of the Primary Government and its Discretely Presented Component Units. Exclusive of Capital Projects

(2) Excludes contribution from Primary Government to Discretely Presented Component Unit

Table 4

County of Grayson, 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
2011-12	\$ 9,717,645	\$ 1,207,281	\$ 87,487	\$ 22,033	\$ 49,129	\$ 1,917,259	\$ 681,914	\$ 336,497	\$ 19,905,626	\$ 33,924,871
2010-11	9,648,978	1,187,265	94,520	45,467	44,236	1,845,497	623,520	308,528	21,810,779	35,608,790
2009-10	6,897,256	1,253,058	79,193	24,609	54,784	1,852,328	892,682	300,216	22,819,401	34,173,527
2008-09	6,284,555	1,666,459	97,988	14,873	236,907	725,331	564,441	260,966	22,783,741	32,635,261
2007-08	6,293,863	1,716,432	125,615	1,055	188,197	685,072	478,190	186,812	20,426,326	30,101,562
2006-07	6,085,153	1,668,962	102,810	1,921	297,296	761,065	676,792	224,859	20,969,382	30,788,240
2005-06	6,068,227	1,582,387	83,431	656	303,979	764,773	745,386	162,698	18,992,491	28,704,028
2004-05	5,973,509	1,653,557	76,984	1,335	160,890	685,657	486,018	168,118	19,555,917	28,771,985
2003-04	5,589,426	1,527,577	71,654	1,210	125,379	672,022	508,296	210,517	17,917,027	26,623,108
2002-03	5,144,630	1,488,192	72,474	1,388	136,034	664,933	555,492	192,947	17,870,815	26,126,905

(1) Includes General and Special Revenue funds of the Primary Government and its Discretely Presented Component Units. Exclusive of Capital Projects.

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

Table 5

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

Fiscal Year	Total Tax Levy (1)	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)	Percent of Delinquent Taxes to Tax Levy
2011-12	\$ 9,627,917	\$ 9,064,047	94.14%	\$ 446,328	9,510,375	98.78%	\$ 1,024,867	10.64%
2010-11	9,632,648	9,067,919	94.14%	411,546	9,479,465	98.41%	949,816	9.86%
2009-10	7,483,293	7,105,026	94.95%	125,347	7,230,373	96.62%	864,277	11.55%
2008-09	6,749,174	6,400,262	94.83%	202,886	6,603,148	97.84%	541,748	8.03%
2007-08	6,527,134	6,351,609	97.31%	264,911	6,616,520	101.37%	509,974	7.81%
2006-07	6,496,946	6,212,415	95.62%	207,087	6,419,502	98.81%	523,523	8.06%
2005-06	6,507,897	6,200,206	95.27%	198,406	6,398,612	98.32%	532,713	8.19%
2004-05	6,349,758	6,122,542	96.42%	163,727	6,286,269	99.00%	453,537	7.14%
2003-04	5,902,071	5,693,158	96.46%	202,187	5,895,345	99.89%	457,901	7.76%
2002-03	5,503,074	5,320,352	96.68%	151,799	5,472,151	99.44%	446,404	8.11%

(1) Exclusive of penalties and interest.

(2) Does not include land redemptions.

Table 6

County of Grayson, Virginia
Assessed Value of Taxable Property (1)
Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property and Mobile Homes	Merchant's Capital	Machinery and Tools	Public Utility (2)			Total
					Real Estate	Personal Property	Public Utility	
2011-12	\$ 1,658,580,400	\$ 97,342,296	\$ 601,363	\$ 6,638,371	\$ 38,897,071	\$ 65,145	\$	1,802,124,646
2010-11	1,655,566,400	98,196,863	493,893	8,481,414	35,439,899	61,188		1,798,239,657
2009-10	1,621,461,200	99,919,088	524,132	9,131,754	31,935,368	56,855		1,763,028,397
2008-09	1,613,126,400	112,401,550	591,240	10,251,338	31,152,651	64,327		1,767,587,506
2007-08	1,599,974,100	107,167,114	771,863	8,562,723	34,490,621	17,455		1,750,983,876
2006-07	1,585,856,000	107,399,775	711,519	11,060,509	39,087,380	21,634		1,744,136,817
2005-06	820,748,700	110,421,430	654,137	13,402,691	26,246,852	16,301		971,490,111
2004-05	814,103,887	99,919,340	573,498	11,277,161	26,717,935	-		952,591,821
2003-04	798,173,951	107,768,327	538,703	12,972,169	26,710,965	29,379		946,193,494
2002-03	786,702,128	102,010,802	529,071	15,218,772	32,355,152	-		936,815,925

(1) All property types are assessed at 100% of fair market value.

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

Table 7

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

Fiscal Year	Real Estate	Personal Property	Machinery and Tools	Merchant's Capital
2011-12	\$ 0.49	\$ 1.75	\$ 1.75	\$ 6.70
2010-11	0.49	1.75	1.75	6.70
2009-10	0.34	1.75	1.75	6.70
2008-09	0.30	1.50	1.50	6.70
2007-08	0.30	1.50	1.50	6.70
2006-07	0.29	1.50	1.50	6.70
2005-06	0.55	1.50	1.50	6.70
2004-05	0.55	1.60	1.60	6.70
2003-04	0.53	1.35	1.35	6.70
2002-03	0.50	1.25	1.25	6.70

(1) Per \$100 of assessed value.

Table 8

County of Grayson, 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 Bonded Debt (3)	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2011-12	15,533	\$ 1,802,125	\$ 19,033,426	\$ 19,033,426	1.06%	\$ 1,225
2010-11	15,533	1,798,240	19,509,496	19,509,496	1.08%	1,256
2009-10	17,917	1,763,028	19,585,001	19,585,001	1.11%	1,093
2008-09	17,917	1,767,588	17,778,438	17,778,438	1.01%	992
2007-08	17,917	1,750,984	18,056,971	18,056,971	1.03%	1,008
2006-07	17,917	1,744,137	1,960,336	1,960,336	0.11%	109
2005-06	17,917	971,490	2,161,935	2,161,935	0.22%	121
2004-05	17,917	952,592	631,470	631,470	0.07%	35
2003-04	17,917	946,193	769,470	769,470	0.08%	43
2002-03	17,917	936,816	975,470	975,470	0.10%	54

(1) Bureau of the Census.

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

(3) Includes all long-term general obligation bonded debt, bonded anticipation notes, lease revenue notes and literary fund loans.
Excludes revenue bonds, landfill closure/post-closure liability, capital leases, and compensated absences.

Table 9

County of Grayson, Virginia
Ratio of Annual Debt Service Expenditures for General Bonded
Debt to Total General Governmental Expenditures (1)
Last Ten Fiscal Years

Fiscal Year	Principal	Interest	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
2011-12 (2)	\$ 18,434,255	\$ 642,784	\$ 19,077,039	\$ 50,041,213	38.12%
2010-11	2,358,145	392,389	2,750,534	35,571,664	7.73%
2009-10	2,607,164	689,486	3,296,650	34,854,389	9.46%
2008-09	1,905,535	686,375	2,591,910	35,166,202	7.37%
2007-08	271,638	347,579	619,217	30,926,379	2.00%
2006-07	280,605	105,426	386,031	31,142,814	1.24%
2005-06	216,685	18,590	235,275	27,194,098	0.87%
2004-05	1,399,239	87,511	1,486,750	27,989,981	5.31%
2003-04	378,471	124,277	502,748	27,191,908	1.85%
2002-03	216,685	18,590	235,275	26,792,043	0.88%
2001-02	260,504	124,166	384,670	25,319,192	1.52%

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

(2) Includes pay off of \$18,300,000 Lease revenue note with proceeds of lease revenue bonds.

COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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 HONORABLE MEMBERS OF THE BOARD OF SUPERVISORS COUNTY OF GRAYSON, VIRGINIA

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Grayson, Virginia, as of and for the year ended June 30, 2012, which collectively comprise the County of Grayson, Virginia's basic financial statements and have issued our report thereon dated January 18, 2013. 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.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of the County of Grayson, Virginia is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the County of Grayson, Virginia's internal control over financial reporting as a basis for designing our auditing procedures 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 Grayson, Virginia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County of Grayson, Virginia's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

COMPLIANCE AND OTHER MATTERS

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

We noted certain matters that we reported to management of the County of Grayson, Virginia in a separate letter dated January 18, 2013.

This report is intended solely for the information and use of management, the Board of Supervisors and others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Robinson, Turner, Co. Associates
Blacksburg, Virginia
January 18, 2013

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

**To the Honorable Members of the Board of Supervisors
County of Grayson, Virginia**

Compliance

We have audited the County of Grayson, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County of Grayson, Virginia's major federal programs for the year ended June 30, 2012. The County of Grayson, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County of Grayson, Virginia's management. Our responsibility is to express an opinion on the County of Grayson, Virginia's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County of Grayson, 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. Our audit does not provide a legal determination of the County of Grayson, Virginia's compliance with those requirements.

In our opinion, the County of Grayson, Virginia complied, in all material respects, with the 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, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule findings and questioned costs as item 2012-1.

Internal Control Over Compliance

Management of the County of Grayson, Virginia is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County of Grayson, Virginia's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing

an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County of Grayson, 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2012-1. *A significant deficiency in internal control over compliance* is a deficiency, or 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.

The County of Grayson, Virginia's responses to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the County of Grayson, Virginia's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Robinson, Turner, Co. Associates
Blacksburg, Virginia
January 18, 2013

County of Grayson, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department Health and Human Services			
Pass Through Payments:			
<i>Department of Social Services:</i>			
<i>Child Care and Development Fund Cluster:</i>			
Child Care and Development Block Grant	93.575	90544, 90545	\$ 29,422
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	90116, 90117, 90118, 90236 90237, 90238, 90378	36,141
Promoting Safe and Stable Families	93.556	90249, 90360	4,541
Temporary Assistance for Needy Families	93.558	90109, 90110, 90111, 90112 90127, 90229, 90230, 90231 90232, 90247, 90366, 90409 90411, 90412, 90413	169,590
Refugee and Entrant Assistance - State Administered Programs	93.566	90113, 90233, 90413, 90713	249
Low-Income Home Energy Assistance	93.568	90114, 90115, 90234, 90235	15,892
Chafee Education and Training Vouchers Program	93.599	90353	669
Stephanie Tubbs Jones Child Welfare Services Program	93.645	90251	620
Foster Care - Title IV-E	93.658	90105, 90106, 90107, 90209 90225, 90226, 90227, 90253 90258, 90405, 90406, 90407 90636, 90637, 90639, 90658 90705, 90706, 90707, 90733 90738	111,696
Adoption Assistance	93.659	90108, 90214, 90228, 90408 90606, 90708	81,964
Social Services Block Grant	93.667	90120, 90122, 90123, 90240 90242, 90243, 90262, 90306 90312, 90322, 90339, 90340	124,322
Chafee Foster Care Independence Program	93.674	90254	2,721
Medical Assistance Program	93.778	90101, 90146, 90213, 90221 90266, 90401, 90446, 90701 90746	104,177
Children's Health Insurance Program	93.767	90102, 90222, 90402, 90702	4,618
Total Department of Health and Human Services			\$ 686,622
Department of Agriculture:			
Pass Through Payments:			
<i>Child Nutrition Cluster:</i>			
<i>Department of Agriculture:</i>			
Food Distribution (Note 3)	10.555	40623	\$ 53,603
<i>Department of Education:</i>			
National school lunch program	10.555	40623	497,666
National school breakfast program	10.553	40591	210,830
<i>Department of Agriculture:</i>			
Fresh Fruit and Vegetable Program	10.582	40599	21,923
<i>Department of Education:</i>			
Schools and Roads - Grants to States	10.665	43841	72,527
<i>Department of Social Services:</i>			
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	90103, 90104, 90212, 90223 90224, 90403, 90404, 90703 90704	172,394
Total Department of Agriculture			\$ 1,028,943
Department of the Interior:			
Direct payments:			
Bureau of Land Management:			
Payments to states in Lieu of Real Estate Taxes	12.112	n/a	\$ 15,735
Department of Transportation:			
Pass Through Payments:			
<i>Department of Motor Vehicles:</i>			
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	59198	\$ 32,656
ARRA - Highway Planning and Construction	20.205	n/a	77,814
Total Department of Transportation:			\$ 110,470

County of Grayson, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Homeland Security:			
Pass Through Payments:			
<i>Department of Emergency Services:</i>			
Emergency Management Performance Grant	97.042	52749	\$ 17,000
National and Community Service			
Pass Through Payments:			
Department of Education:			
Learn and Serve America - School and Community Based Programs	94.004	60185	\$ 3,037
Department of Education:			
Pass Through Payments:			
<i>Department of Education:</i>			
<i>Special Education Cluster:</i>			
Special Education - Preschool Grants	84.173	62521	\$ 22,078
Special Education - Grants to States	84.027	43071	485,716
ARRA Special Education Grants to States	84.391	61245	535,281
ARRA Special Education Preschool Grants	84.392	61247	18,025
<i>Title I, Part A Cluster:</i>			
Title I - Grants to Local Educational Agencies	84.010	42892, 42901	775,992
ARRA - Title I: Grants to Local Educational Agencies	84.389	42913	41,303
Safe and Drug-free Schools and Communities - State Grants	84.186	65011	11,114
Twenty-first Century Community Learning Centers	84.287	60565	446,769
Career and Technical Education - Basic Grants to States	84.048	61095	51,446
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	n/a	24,685
Rural Education	84.358	43481	47,550
Improving Teacher Quality State Grants	84.367	61480	102,787
ARRA - School Improvement Grants	84.388	42990	364,937
ARRA - State Fiscal Stabilization Funds - Education State Grants	84.394	62532	287,904
Total Department of Education			\$ 3,215,587
Total Expenditures of Federal Awards			\$ 5,077,394

See accompanying 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 the County of Grayson, Virginia under programs of the federal government for the year ended June 30, 2012. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the County of Grayson, Virginia, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the County of Grayson, Virginia.

Note 2 -- Summary of Significant Accounting Policies

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

Note 3 -- Food Donation

Nonmonetary assistance is reported in the schedule at the fair market value of commodities received and disbursed.

Note 4 -- Relationship to the Financial Statements:

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

 General Fund \$ 1,002,221

Component Unit School Board:

 School Operating Fund \$ 4,075,173

Total federal expenditures per the Schedule of Expenditures of Federal Awards

\$ 5,077,394

County of Grayson, Virginia

Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	None reported
Significant deficiencies?	Yes
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)?	Yes
Identification of major programs:	

CFDA #	Name of Federal Program or Cluster
84.010/84.389	Title I, Part A Cluster
84.027/84.173/84.391/84.392	Special Education - Cluster
84.287	Twenty-first Century Community Learning Centers
84.388	ARRA - School Improvement Grants
84.394	ARRA - State Fiscal Stabilization Funds - Education State Grants

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

Section II - Financial Statement Findings

There are no financial statement findings to report.

County of Grayson, Virginia

Schedule of Findings and Questioned Costs Year Ended June 30, 2012

Section III - Federal Award Findings and Questioned Costs

2012-1	
Program Titles:	Special Education Cluster
CFDA Numbers:	84.027
Compliance Requirement:	Cash Management
Finding Type:	Noncompliance
Criteria:	Per single audit cash management requirements, reimbursement requests should be submitted at a minimum quarterly.
Condition:	A review of reimbursement requests disclosed requests that were not being made in a timely manner.
Questioned Costs:	None
Context:	All reimbursement requests that related to the year under audit were reviewed for the above. Of the reimbursement requests reviewed, it was noted that numerous requests covered a time period of greater than three months.
Effect:	Reimbursements of local funds expended for Federal programs are not being received in a timely
Cause:	Lack of appropriate procedures over cash management to ensure that reimbursement requests are submitted at least quarterly.
Recommendation:	Management should establish a policy requiring reimbursement requests for Federal programs to be submitted at a minimum of quarterly.
Management's Response and Planned Corrective Action:	Management of the School Board has acknowledged that a cash management policy is necessary and is working to have this implemented in the next year.

Section IV - Status of Prior Audit Findings and Questioned Costs

Finding 2012-1 is a repeat comment (2011-1) from June 30, 2011.