

COUNTY OF GRAYSON, VIRGINIA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

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

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INTRODUCTORY SECTION

COUNTY OF GRAYSON, VIRGINIA

BOARD OF SUPERVISORS

	Brenda Sutherland, Chairman	
Kenneth R. Belton, Vice Chair		John S. Fant
Michael S. Hash		Glen E. Rosenbaum

COUNTY SCHOOL BOARD

	Diane Haynes, Chair	
Fred Weatherman, Vice Chair		Shannon Holdaway
Randy Shinault		Tracy "Zeke" Anderson

SOCIAL SERVICES BOARD

	Brenda Sutherland, Chair	
Kate Irwin, Vice Chair		Mary D. Young

OTHER OFFICIALS

Clerk of the Circuit Court	Susan Herrington
Commonwealth's Attorney	Douglas Vaught
Commissioner of the Revenue	Larry D. Bolt
Treasurer	R. Kelly Haga
Sheriff	Richard Vaughan
Superintendent of Schools	Kelly Wilmore
Director of Social Services	Anthony Isom
County Administrator	Bill Shepley

FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit-School Board, each major fund, and the aggregate remaining fund information of County of Grayson, Virginia, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit-School Board, each major fund, and the aggregate remaining fund information of the County of Grayson, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 5-13, 88-89, and 90-95 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

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

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

Other Information (Continued)

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2018, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Grayson, Virginia's internal control over financial reporting and compliance.

Robinson, Famer, Cox Associates

Blacksburg, Virginia
March 2, 2018

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

As management of the County of Grayson, Virginia we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with the basic audited financial statements.

Financial Highlights

- The assets and deferred outflows of the County's governmental activities exceeded its liabilities and deferred inflows at the close of the fiscal year by \$11,351,952 (net position). Of this amount, \$4,684,003 was considered unrestricted.
- The assets and deferred outflows of the County's business-type activities exceeded its liabilities and deferred inflows at the close of the fiscal year by \$2,426,072 (net position). Of this amount, \$116,527 was considered unrestricted.
- The liabilities and deferred inflows of the School Board component unit exceeded its assets and deferred outflows at the close of the fiscal year by \$(12,961,661) (net position). Of this amount \$(16,408,807) was considered unrestricted.
- As of the close of the current fiscal year, the County's funds reported combined ending fund balances of \$9,576,178. Of this amount, \$6,791,424 was considered unassigned, \$22,420 was considered nonspendable, \$1,744,790 was considered assigned, \$861,260 was considered committed, and \$156,284 was considered restricted.
- During the fiscal year, the County had a change in net position of \$217,867 for governmental activities, \$(99,243) for business-type activities, and \$924,195 for the School Board component unit. For the governmental activities, the revenues and net transfers exceeded the expenses for the fiscal year. For the business-type activities component unit, the revenues and net transfers exceeded the expenses for the fiscal year. For the School Board component unit, the revenues exceeded the expenses for the fiscal year.

Overview of the Financial Statements

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

- Government-wide financial statements,
- Fund financial statements, and
- Notes to the financial statements.

This report also contains other supplementary information, in addition to the basic financial statements.

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

The Statement of Net Position presents information on all of the County's assets and deferred outflows and liabilities and deferred inflows, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). Our governmental activities include general government, courts, public safety, sanitation, social services, education, cultural events, and recreation. Our business-type activities are for a water distribution system.

The government-wide financial statements include not only the County of Grayson, Virginia itself (known as the primary government), but also a legally separate school board for which the County of Grayson, Virginia is financially accountable.

Fund financial statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County of Grayson, Virginia, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Overview of the Financial Statements (Continued)

Governmental funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statement focus on near-term inflows and outflows of spendable resources, as well as on balance of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County's near-term financing decisions.

Both the Governmental Fund Balance Sheet and the governmental Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains two individual governmental funds. Information is presented in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund and the Economic Development Fund, both of which are considered to be major funds.

The County adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided to demonstrate compliance with this budget.

Proprietary Funds - The County maintains two proprietary funds. One proprietary fund is an enterprise fund for the water distribution system. The activities of the system are accounted for in the Water Fund. The other proprietary fund is an internal service fund that accounts for goods and services provided to other departments within the County on a cost reimbursement basis. The Internal Service Fund accounts for the County's self-insured health insurance plan for employees.

Fiduciary funds - The County is the trustee, or fiduciary, for the County's agency funds and expendable trust funds. We are responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. The County excludes these activities from the County's government-wide financial statements because the County cannot use these assets to finance its operations. Agency funds include the Special Welfare, Building Code, ASAP, and Regional Library funds.

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

Overview of the Financial Statements (Continued)

Other information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information for budgetary comparison and presentation of combining financial statements for the discretely presented component units and the non-major funds.

Government-wide Financial Analysis

As noted earlier, net position may serve as a useful indicator of a County's financial position. In the case of the County's Primary Government, assets and deferred outflows exceed liabilities and deferred inflows by \$11,351,952 at the close of the most recent fiscal year.

A significant portion of the County's net position, \$6,511,665 reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any outstanding debt related to acquisition of those assets. The County uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the County's net position, totaling \$156,284, is subject to restrictions on how it may be used. The remaining balance of net position of \$4,684,003 may be used to meet the County's ongoing obligations.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

Overview of the Financial Statements (Continued)

The following table summarizes the County's Statement of Net Position and Statement of Activities for 2017 and 2016:

Table 1

	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2017	2016	2017	2016	2017
Current Assets	22,182,401	21,371,194	186,307	160,873	22,368,708	21,532,067
Capital Assets	23,855,964	24,175,125	2,407,529	2,340,880	26,263,493	26,516,005
Total Assets	46,038,365	45,546,319	2,593,836	2,501,753	48,632,201	48,048,072
Deferred Outflow of Resources	829,111	1,252,303	-	-	829,111	1,252,303
Current Liabilities	1,674,174	629,923	36,397	44,346	1,710,571	674,269
Long-Term Liabilities	22,836,253	24,541,931	32,124	31,335	22,868,377	24,573,266
Total Liabilities	24,510,427	25,171,854	68,521	75,681	24,578,948	25,247,535
Deferred Inflows of Resources	10,754,364	10,274,816	-	-	10,754,364	10,274,816
Net Position:						
Net Investment in Capital Assets	5,725,430	6,511,665	2,371,934	2,309,545	8,097,364	8,821,210
Restricted	402,887	156,284	-	-	402,887	156,284
Unrestricted	5,005,768	4,684,003	153,381	116,527	5,159,149	4,800,530
Total Net Position	11,134,085	11,351,952	2,525,315	2,426,072	13,659,400	13,778,024

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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

Overview of the Financial Statements (Continued)

The revenues and expenses for governmental activities and business-type activities are shown in Table 2:

	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2017	2016	2017	2016	2017
Charges for Services	1,672,982	1,799,204	219,217	210,825	1,892,199	2,010,029
Operating Grants/Contributions	4,075,141	4,674,073			4,075,141	4,674,073
Capital Grants/Contributions	255,809	546,562	263,304	3,705	519,113	550,267
Program Revenues	6,003,932	7,019,839	482,521	214,530	6,486,453	7,234,369
Taxes	11,289,049	11,303,562	-	-	11,289,049	11,303,562
Interest Income	54,782	105,301	-	-	54,782	105,301
Miscellaneous	128,790	276,787	-	-	128,790	276,787
Grants not restricted to program	871,626	871,750	-	-	871,626	871,750
General Revenues	12,344,247	12,557,400	-	-	12,344,247	12,557,400
Total Revenues	18,348,179	19,577,239	482,521	214,530	18,830,700	19,791,769
General Government	1,221,223	1,347,040	-	-	1,221,223	1,347,040
Judicial Administration	738,367	988,337	-	-	738,367	988,337
Public Safety	3,756,030	4,130,658	-	-	3,756,030	4,130,658
Public Works	1,684,005	1,833,305	-	-	1,684,005	1,833,305
Health and Welfare	2,568,994	2,757,910	-	-	2,568,994	2,757,910
Education	5,768,172	6,166,623	-	-	5,768,172	6,166,623
Parks, Recreation, Cultural	655,508	479,298	-	-	655,508	479,298
Community Development	841,802	1,168,881	-	-	841,802	1,168,881
Interest on long-term debt	484,527	487,320	-	-	484,527	487,320
Water authority	-	-	251,679	313,773	251,679	313,773
Total Expenses	17,718,628	19,359,372	251,679	313,773	17,970,307	19,673,145
Transfers	-	-	-	-	-	-
Change in Net Position	629,551	217,867	230,842	(99,243)	860,393	118,624
Beginning Net Position as restated	10,504,534	11,134,085	2,294,473	2,525,315	12,799,007	13,659,400
Ending Net Position	11,134,085	11,351,952	2,525,315	2,426,072	13,659,400	13,778,024

Financial Analysis of the County's Funds

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a County's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$9,576,178; \$156,284 constitutes restricted fund balance, which is not available for current spending since it has been restricted by external parties such as grantors, laws or legislation. Approximately \$861,260 has been committed by action of the Board of Supervisors and \$1,744,790 has been assigned by the Board of Supervisors. The remaining balance, \$6,791,424 is unassigned, meaning there are no restrictions placed on the funds.

The general fund is the operating fund of the County. At the end of the current fiscal year, total fund balance of the general fund was \$8,813,332 of this amount \$6,791,424 was considered unassigned. The Economic Development Fund's entire fund balance of \$762,846 was committed.

Total governmental fund revenues increased \$1,087,818 and expenditures increased \$978,216 over prior fiscal year amounts. For fiscal year ended June 30, 2017, expenditures exceeded revenues and other financing sources by \$(422,893) as compared to the fiscal year ended June 30, 2016, when revenues and other financing sources decreased expenditures and other financing uses by \$(154,427).

General Fund Budgetary Highlights

There were differences between the original budget and the final amended budget for the current year. The County budgeted revenues of \$20,035,490 for fiscal year 2017. The actual revenues were \$19,989,797 which is an unfavorable variance of \$(45,693). The budgeted expenditures were \$20,892,999 for the County. The actual expenditures were \$20,792,989 which is a favorable variance of \$100,010 which is attributed to savings in various departments.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

Capital Assets and Debt Administration

Capital assets - The County's investment in capital assets for its governmental funds activities as of June 30, 2017 amounts to \$24,175,125 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and machinery and equipment. Expenditures for capital assets included the purchase of vehicles and significant contributions to the County's recreational trails. The County's investment in capital assets for its business-type activities as of June 30, 2017 amounts to \$2,340,880 (net of accumulated depreciation). Additional information on the County of Grayson's capital assets can be found in Note 12 of this report.

Long-term debt

The outstanding debt for governmental activities at June 30, 2017 is as follows:

	(As Restated)			
	Balance			Balance
	July 1, 2016	Issuances	Retirements	June 30, 2017
General obligation bonds	\$ 15,478,753	\$ -	\$ (614,050)	\$ 14,864,703
Premium on bond	1,836,485	-	(188,771)	1,647,714
Note Payable	662,477	45,000	(13,616)	693,861
Capital lease	152,819	332,565	(28,202)	457,182
Net pension liability (ERIP)	234,300	34,900	(7,700)	261,500
Net OPEB obligation	198,100	55,200	(4,400)	248,900
Compensated absences	360,414	198,074	(270,311)	288,177
Net pension liability	5,257,154	2,057,528	(1,234,788)	6,079,894
Total	\$ 24,180,502	\$ 2,723,267	\$ (2,361,838)	\$ 24,541,931

At the end of the fiscal year, the County had the following outstanding debt for business-type activities:

	Balance			Balance
	July 1, 2016	Issuances	Retirements	June 30, 2017
Revenue and GO bonds	\$ 35,595	\$ -	\$ (4,260)	\$ 31,335
Total	\$ 35,595	\$ -	\$ (4,260)	\$ 31,335

Additional information on the County of Grayson's long-term debt can be found in Note 7 of this report.

Economic Factors

The unemployment rate for the County of Grayson, Virginia was on average 4.4% for fiscal year 2017. This is slightly above the state's average unemployment rate of 3.9% and slightly above the national average rate of 4.3%.

Request for Information

This financial report is designed to provide a general overview of the County's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the County Administrator, P. O. Box 217, Independence, Virginia 24348.

Basic Financial Statements

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

	Primary Government			Component Unit School Board
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 2,574,788	\$ 76,751	\$ 2,651,539	\$ 1,026,738
Restricted cash and cash equivalents - customers' deposits	-	23,998	23,998	-
Investments	5,578,041	24,490	5,602,531	-
Receivables (net of allowance for uncollectibles):				
Taxes receivable	11,388,178	-	11,388,178	-
Accounts receivable	608,435	36,134	644,569	-
Notes receivable	151,581	-	151,581	-
Interfund balances	500	(500)	-	-
Due from component unit	329,328	-	329,328	-
Due from other governmental units	717,923	-	717,923	669,727
Prepaid items	22,420	-	22,420	108,891
Capital assets (net of accumulated depreciation):				
Land	749,787	10,648	760,435	144,690
Buildings, improvements, and systems	21,949,392	-	21,949,392	2,181,810
Machinery and equipment	933,636	1,097	934,733	839,324
Infrastructure	-	2,302,545	2,302,545	-
Construction in progress	542,310	26,590	568,900	281,322
Total assets	<u>\$ 45,546,319</u>	<u>\$ 2,501,753</u>	<u>\$ 48,048,072</u>	<u>\$ 5,252,502</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension contributions subsequent to measurement date	\$ 648,735	\$ -	\$ 648,735	\$ 1,365,323
Items related to measurement of net pension liability	603,568	-	603,568	1,030,257
Total deferred outflows of resources	<u>\$ 1,252,303</u>	<u>\$ -</u>	<u>\$ 1,252,303</u>	<u>\$ 2,395,580</u>
LIABILITIES				
Accounts payable	\$ 324,290	\$ 20,282	\$ 344,572	\$ 170,490
Accrued salaries	11,715	-	11,715	781,233
Customers' deposits	-	23,998	23,998	-
Accrued interest payable	293,918	66	293,984	-
Due to primary government	-	-	-	329,328
Long-term liabilities:				
Due within one year	1,131,697	3,622	1,135,319	102,463
Due in more than one year	23,410,234	27,713	23,437,947	16,671,997
Total liabilities	<u>\$ 25,171,854</u>	<u>\$ 75,681</u>	<u>\$ 25,247,535</u>	<u>\$ 18,055,511</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue - property taxes	\$ 10,274,816	\$ -	\$ 10,274,816	\$ -
Items related to measurement of net pension liability	-	-	-	2,554,232
Total deferred inflows of resources	<u>\$ 10,274,816</u>	<u>\$ -</u>	<u>\$ 10,274,816</u>	<u>\$ 2,554,232</u>
NET POSITION				
Net investment in capital assets	\$ 6,511,665	\$ 2,309,545	\$ 8,821,210	\$ 3,447,146
Restricted:				
DARE	4,114	-	4,114	-
Recreation	17,475	-	17,475	-
Special Law Enforcement	131,053	-	131,053	-
Debt Service - USDA	3,642	-	3,642	-
Unrestricted (deficit)	4,684,003	116,527	4,800,530	(16,408,807)
Total net position	<u>\$ 11,351,952</u>	<u>\$ 2,426,072</u>	<u>\$ 13,778,024</u>	<u>\$ (12,961,661)</u>

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, 2017

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions		Governmental Activities	Primary Business-type Activities		Component Unit
			Grants and Contributions	Capital Grants and Contributions		Total	School Board	
PRIMARY GOVERNMENT:								
Governmental activities:								
General government administration	\$ 1,347,040	\$ 17,647	\$ 209,284	\$ -	\$ (1,120,109)	\$ -	\$ (1,120,109)	\$ -
Judicial administration	988,337	38,884	588,893	-	(360,560)	-	(360,560)	-
Public safety	4,130,658	109,320	1,256,983	-	(2,764,355)	-	(2,764,355)	-
Public works	1,833,305	1,577,661	7,192	-	(248,452)	-	(248,452)	-
Health and welfare	2,757,910	-	2,176,773	-	(581,137)	-	(581,137)	-
Education	6,166,623	-	-	-	(6,166,623)	-	(6,166,623)	-
Parks, recreation, and cultural	479,298	55,692	-	546,562	122,956	-	122,956	-
Community development	1,168,881	-	434,948	-	(733,933)	-	(733,933)	-
Interest on long-term debt	487,320	-	-	-	(487,320)	-	(487,320)	-
Total governmental activities	\$ 19,359,372	\$ 1,799,204	\$ 4,674,073	\$ 546,562	\$ (12,339,533)	\$ -	\$ (12,339,533)	\$ -
Business-type activities:								
Public Service Authority	\$ 313,773	\$ 210,825	\$ -	\$ 3,705	\$ -	\$ (99,243)	\$ (99,243)	\$ -
Total primary government	\$ 19,673,145	\$ 2,010,029	\$ 4,674,073	\$ 550,267	\$ (12,339,533)	\$ (99,243)	\$ (12,438,776)	\$ -
COMPONENT UNITS:								
School Board	\$ 19,190,736	\$ 232,113	\$ 13,953,490	\$ 9,451	\$ -	\$ -	\$ -	\$ (4,995,682)
Total component units	\$ 19,190,736	\$ 232,113	\$ 13,953,490	\$ 9,451	\$ -	\$ -	\$ -	\$ (4,995,682)
General revenues:								
General property taxes					\$ 10,051,720	\$ -	\$ 10,051,720	\$ -
Other local taxes:								
Local sales and use taxes					450,875	-	450,875	-
Consumers' utility taxes					340,819	-	340,819	-
Motor vehicle licenses					269,472	-	269,472	-
Other local taxes					190,676	-	190,676	-
Unrestricted revenues from use of money and property					105,301	-	105,301	2,714
Miscellaneous					214,601	-	214,601	101,276
Payment from Grayson County					-	-	-	5,815,887
Grants and contributions not restricted to specific programs					871,750	-	871,750	-
Gain on disposal of capital assets					62,186	-	62,186	-
Total general revenues					\$ 12,557,400	\$ -	\$ 12,557,400	\$ 5,919,877
Change in net position					\$ 217,867	\$ (99,243)	\$ 118,624	\$ 924,195
Net position - beginning, as restated					11,134,085	2,525,315	13,659,400	(13,885,856)
Net position - ending					\$ 11,351,952	\$ 2,426,072	\$ 13,778,024	\$ (12,961,661)

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

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

	<u>General</u>	<u>Economic Development</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 2,499,331	\$ -	\$ 2,499,331
Investments	4,873,863	611,265	5,485,128
Receivables (net of allowance for uncollectibles):			
Taxes receivable	11,388,178	-	11,388,178
Accounts receivable	608,435	-	608,435
Notes receivable	-	151,581	151,581
Due from other funds	500	-	500
Due from component unit	329,328	-	329,328
Due from other governmental units	717,923	-	717,923
Prepaid items	22,420	-	22,420
Total assets	<u>\$ 20,439,978</u>	<u>\$ 762,846</u>	<u>\$ 21,202,824</u>
LIABILITIES			
Accounts payable	\$ 324,290	\$ -	\$ 324,290
Accrued liabilities	11,715	-	11,715
Total liabilities	<u>\$ 336,005</u>	<u>\$ -</u>	<u>\$ 336,005</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - prepaid taxes	\$ 55,265	\$ -	\$ 55,265
Unavailable revenue - property taxes	11,235,376	-	11,235,376
Total deferred inflows of resources	<u>\$ 11,290,641</u>	<u>\$ -</u>	<u>\$ 11,290,641</u>
FUND BALANCES			
Nonspendable:			
Prepaid items	\$ 22,420	\$ -	\$ 22,420
Restricted:			
DARE	4,114	-	4,114
Recreation	17,475	-	17,475
Special Law Enforcement	131,053	-	131,053
Debt Service - USDA	3,642	-	3,642
Committed:			
Law Library	3,210	-	3,210
Courthouse Security	13,339	-	13,339
Courthouse Maintenance	210	-	210
School Bus Replacement	81,655	-	81,655
Economic Development	-	762,846	762,846
Assigned:			
Reassessment	206,000	-	206,000
Contingency	886,225	-	886,225
Capital Improvement	599,473	-	599,473
Sheriff	26,546	-	26,546
Treasurer	26,546	-	26,546
Unassigned	6,791,424	-	6,791,424
Total fund balances	<u>\$ 8,813,332</u>	<u>\$ 762,846</u>	<u>\$ 9,576,178</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 20,439,978</u>	<u>\$ 762,846</u>	<u>\$ 21,202,824</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 Position
 June 30, 2017

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	9,576,178
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Land	\$	749,787
Buildings and system		21,949,392
Machinery and equipment		933,636
Construction in progress		542,310
		24,175,125
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.		
Unavailable revenue - property taxes		1,015,825
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 position.		
		168,370
Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds.		
		648,735
Items related to measurement of the net pension liability are considered to be deferred and will be amortized and recognized in pension expense over future years.		
Deferred outflows of resources		603,568
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
General obligation bonds	\$	(14,864,703)
Premium on bond issuance		(1,647,714)
Note payable		(693,861)
Capital lease		(457,182)
Accrued interest payable		(293,918)
Net OPEB obligation		(248,900)
Compensated absences		(288,177)
Net pension liability - ERIP		(261,500)
Net pension liability - VRS		(6,079,894)
		(24,835,849)
Net position of governmental activities	\$	11,351,952

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, 2017

	<u>General</u>	<u>Economic Development</u>	<u>Total</u>
REVENUES			
General property taxes	\$ 10,191,512	\$ -	\$ 10,191,512
Other local taxes	1,251,842	-	1,251,842
Permits, privilege fees, and regulatory licenses	78,610	-	78,610
Fines and forfeitures	19,792	-	19,792
Revenue from the use of money and property	66,105	39,196	105,301
Charges for services	1,700,802	-	1,700,802
Miscellaneous	214,601	-	214,601
Recovered costs	424,148	16,311	440,459
Intergovernmental:			
Commonwealth	3,919,365	50,000	3,969,365
Federal	2,123,020	-	2,123,020
Total revenues	<u>\$ 19,989,797</u>	<u>\$ 105,507</u>	<u>\$ 20,095,304</u>
EXPENDITURES			
Current:			
General government administration	\$ 1,467,391	\$ -	\$ 1,467,391
Judicial administration	943,616	-	943,616
Public safety	4,320,257	-	4,320,257
Public works	1,686,457	-	1,686,457
Health and welfare	2,814,099	-	2,814,099
Education	5,665,206	-	5,665,206
Parks, recreation, and cultural	449,665	-	449,665
Community development	882,118	164,959	1,047,077
Capital projects	1,220,230	-	1,220,230
Debt service:			
Principal retirement	655,868	-	655,868
Interest and other fiscal charges	688,082	-	688,082
Total expenditures	<u>\$ 20,792,989</u>	<u>\$ 164,959</u>	<u>\$ 20,957,948</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (803,192)</u>	<u>\$ (59,452)</u>	<u>\$ (862,644)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ -	\$ 55,104	\$ 55,104
Transfers out	(55,104)	-	(55,104)
Issuance of note payable	45,000	-	45,000
Issuance of capital lease	332,565	-	332,565
Sale of capital assets	-	62,186	62,186
Total other financing sources (uses)	<u>\$ 322,461</u>	<u>\$ 117,290</u>	<u>\$ 439,751</u>
Net change in fund balances	\$ (480,731)	\$ 57,838	\$ (422,893)
Fund balances - beginning	9,294,063	705,008	9,999,071
Fund balances - ending	<u>\$ 8,813,332</u>	<u>\$ 762,846</u>	<u>\$ 9,576,178</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, 2017

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

Net change in fund balances - total governmental funds \$ (422,893)

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 capital outlays exceeded depreciation expense in the current period.

Capital outlay	\$ 1,354,398	
Depreciation expense	<u>(1,035,237)</u>	319,161

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

Change in unavailable revenue - property taxes	\$ (139,792)	
Change in deferred inflows related to the measurement of the net pension liability	<u>407,077</u>	267,285

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 position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term obligations and related items.

Debt issued or incurred:		
Issuance of note payable	\$ (45,000)	
Issuance of capital lease	(332,565)	
Principal repayments:		
General obligation bonds	614,050	
Note payable	13,616	
Capital lease	<u>28,202</u>	278,303

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.

Change in compensated absences	\$ 72,237	
Change in net OPEB obligation	(50,800)	
Change in accrued interest payable	11,991	
Amortization of bond premium	188,771	
Change in net pension liability - VRS	(822,740)	
Change in net pension liability - ERIP	(27,200)	
Change in deferred outflows of resources related to pension	<u>423,192</u>	(204,549)

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.

(19,440)

Change in net position of governmental activities

\$ 217,867

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

County of Grayson, Virginia
Statement of Net Position
Proprietary Funds
June 30, 2017

	Enterprise Fund <u>Public Service Authority</u>	Internal Service <u>Fund</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 76,751	\$ 75,457
Restricted cash and cash equivalents - customers' deposits	23,998	-
Investments	24,490	92,913
Accounts receivables, net of allowance for uncollectibles	36,134	-
Total current assets	<u>\$ 161,373</u>	<u>\$ 168,370</u>
Capital assets:		
Land	\$ 10,648	\$ -
Construction in progress	26,590	-
Machinery and equipment	32,310	-
Infrastructure	3,619,708	-
Accumulated depreciation	(1,348,376)	-
Total capital assets	<u>\$ 2,340,880</u>	<u>\$ -</u>
Total assets	<u>\$ 2,502,253</u>	<u>\$ 168,370</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 20,282	\$ -
Customers' deposits	23,998	-
Accrued interest payable	66	-
Due to other funds	500	-
Bonds payable - current portion	3,622	-
Total current liabilities	<u>\$ 48,468</u>	<u>\$ -</u>
Noncurrent liabilities:		
Bonds payable - net of current portion	\$ 27,713	\$ -
Total noncurrent liabilities	<u>\$ 27,713</u>	<u>\$ -</u>
Total liabilities	<u>\$ 76,181</u>	<u>\$ -</u>
NET POSITION		
Net investment in capital assets	\$ 2,309,545	\$ -
Unrestricted	116,527	168,370
Total net position	<u>\$ 2,426,072</u>	<u>\$ 168,370</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 Net Position
Proprietary Funds
For the Year Ended June 30, 2017

	Enterprise Fund Public Service <u>Authority</u>	Internal Service Fund
OPERATING REVENUES		
Charges for services:		
Water revenues	\$ 210,825	\$ -
Insurance premiums	-	38,989
Total operating revenues	<u>\$ 210,825</u>	<u>\$ 38,989</u>
OPERATING EXPENSES		
Salaries and wages	\$ 77,008	\$ -
Employee benefits	20,725	-
Utilities	9,074	-
Professional services	34,919	-
Purchase of water	60,145	-
Materials and supplies	10,958	-
Travel	2,179	-
Maintenance services	830	-
Insurance claims and expenses	-	58,429
Miscellaneous	2,829	-
Depreciation	93,239	-
Total operating expenses	<u>\$ 311,906</u>	<u>\$ 58,429</u>
Operating income (loss)	<u>\$ (101,081)</u>	<u>\$ (19,440)</u>
NONOPERATING REVENUES (EXPENSES)		
Interest expense	<u>\$ (1,867)</u>	<u>\$ -</u>
Income before capital contributions and grants	<u>\$ (102,948)</u>	<u>\$ (19,440)</u>
Capital contributions and grants	<u>\$ 3,705</u>	<u>\$ -</u>
Change in net position	<u>\$ (99,243)</u>	<u>\$ (19,440)</u>
Total net position - beginning	2,525,315	187,810
Total net position - ending	<u><u>\$ 2,426,072</u></u>	<u><u>\$ 168,370</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, 2017

	Enterprise Fund <u>Public Service Authority</u>	Internal Service Fund
CASH FLOWS FROM BY OPERATING ACTIVITIES		
Receipts from customers and users	\$ 273,055	\$ -
Receipts for insurance premiums	-	38,989
Payments to suppliers	(115,375)	-
Payments to and for employees	(97,733)	-
Payments for insurance premiums	-	(58,429)
Net cash provided by (used for) operating activities	<u>\$ 59,947</u>	<u>\$ (19,440)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	\$ (26,590)	\$ -
Principal payments on bonds	(4,260)	-
Contributions in aid of construction	3,705	-
Interest payments	(1,906)	-
Net cash provided by (used for) capital and related financing activities	<u>\$ (29,051)</u>	<u>\$ -</u>
Net increase (decrease) in cash and cash equivalents	\$ 30,896	\$ (19,440)
Cash and cash equivalents - beginning (includes investments of \$88,436 and restricted cash and cash equivalents of \$18,098)	94,343	187,810
Cash and cash equivalents - ending (includes investments of \$117,403 and restricted cash and cash equivalents of \$23,998)	<u>\$ 125,239</u>	<u>\$ 168,370</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ (101,081)	\$ (19,440)
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:		
Depreciation	\$ 93,239	\$ -
(Increase) decrease in accounts receivable	10,733	-
(Increase) decrease in due from other funds	45,597	-
Increase (decrease) in accounts payable	5,559	-
Increase (decrease) in customer deposits	5,900	-
Total adjustments	<u>\$ 161,028</u>	<u>\$ -</u>
Net cash provided by (used for) operating activities	<u>\$ 59,947</u>	<u>\$ (19,440)</u>

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

County of Grayson, Virginia
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

	<u>Employee Early Retirement Incentive Plan Trust</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ 1,800	\$ 238,849
Investments	58,400	174,134
Total assets	\$ 60,200	\$ 412,983
LIABILITIES		
Amounts held for social services clients	\$ -	\$ 6,848
Amounts held for Mt. Rogers Alcohol Safety Action Program	-	239,500
Amounts held for Grayson Regional Library	-	166,635
Total liabilities	\$ -	\$ 412,983
NET POSITION		
Held in trust for retirement plan	\$ 60,200	

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

County of Grayson, Virginia
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2017

	<u>Employee Early Retirement Incentive Plan Trust</u>
ADDITIONS	
Contributions:	
Employer	\$ -
Total contributions	<u>-</u>
Investment earnings:	
Interest	1,500
Net decrease in the fair market value of investments	<u>(600)</u>
Total investment earnings	<u>900</u>
Total additions	<u>900</u>
DEDUCTIONS	
Benefits	7,600
Administrative expenses	<u>2,000</u>
Total deductions	<u>9,600</u>
Change in net assets	(8,700)
Net position - beginning	68,900
Net position - ending	<u><u>\$ 60,200</u></u>

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

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 1-Summary of Significant Accounting Policies:

The financial statements of the County of Grayson, Virginia 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 (“the County”) 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 Grayson County Economic Development Authority (“the EDA”) is a blended component unit of the County. The Development Authority is fiscally dependent upon the County. In addition, the County Board appoints the Authority’s Board.

Discretely Presented Component Units - The component unit column in the financial statements include the financial data of the County’s discretely presented component unit. It is reported in a separate column to emphasize that it is legally separate from the County.

The Grayson County School Board (“the 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 School Board does not prepare separate financial statements.

Related Organizations - The County has no related organizations.

Jointly Governed Organizations:

1. The County, along with the Counties of Wythe, Bland, Carroll, and Smyth and the City of Galax, participates in supporting the Mount Rogers Community Services Board. For the fiscal year ended June 30, 2017, the County contributed \$40,000.
2. The County, along with the County of Wythe, participates in supporting the Wythe/Grayson Regional Library. For the fiscal year ended June 30, 2017, the County contributed \$257,336.
3. The County, 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 for the fiscal year ended June 30, 2017.

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

A. Financial Reporting Entity (Continued)

Jointly Governed Organizations: (Continued)

4. The County, 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. The Service bills the County and the City of Galax for locality funding, based on year to date revenue and expenses. For the fiscal year ended June 30, 2017, the County contributed \$105,135.
5. The County, along with the County of Carroll and the City of Galax, participates in supporting the Twin Counties E-911 Program. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. For the fiscal year ended June 30, 2017, the County contributed \$187,120.
6. The County, along with the County of Carroll and the City of Galax, participates in The Twin County Airport Commission. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. The Commission is charged with operating the Twin County Regional Airport. For the fiscal year ended June 30, 2017, the County contributed \$43,560.
7. Blue Ridge Crossroads Economic Development Authority (BRCEDA) is the regional industrial facilities authority that represents the County, along with the County of Carroll and the City of Galax. Each jurisdiction appoints two members and an alternate member. A moral obligation for debt service is currently in place for a regional project known as Wildwood. Contributions to BRCEDA during the current year were \$161,147. It is the hope of BRCEDA that this park project will be a catalyst for economic development in the region.

B. Government-wide and fund financial statements

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

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

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

B. Government-wide and fund financial statements (Continued)

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.

Budgetary comparison schedules - Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. Under the GASB 34 reporting model, governments provide budgetary comparison information in their annual reports, including the original budget and a comparison of final budget and actual results.

C. Measurement focus, basis of accounting, and financial statement presentation

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

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

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

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

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

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

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

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

The 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 Economic Development fund is reported as the County's major *special revenue fund*. The fund accounts for and report the proceeds of specific revenues sources that are restricted or committed to expenditure for specified economic development purposes other than debt service or capital projects. This fund contains the activity of the blended Economic Development Authority.

The County reports the following major proprietary funds:

The County's blended Public Service Authority (PSA) operates a water distribution system and activities of the PSA are accounted for in this 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. The County also operates a trust fund for the Employee Early Retirement Incentive Program.

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

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

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.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's 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 nonoperating revenues and expenses.

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance

1. Cash and Cash Equivalents 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.

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

2. Receivables and payables

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

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

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (Continued)

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.

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 \$155,017 at June 30, 2017 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 acquisition value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets for business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized for the fiscal year ending June 30, 2017.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2017

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

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (Continued)

6. Capital assets (Continued)

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

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

7. Deferred Outflows/Inflows of Resources

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

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

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

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (Continued)

8. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. In accordance with the provisions of 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.

9. Pensions

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

10. Long-term obligations

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

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

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

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (Continued)

11. Fund equity

The County reports fund balance in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The County evaluated its funds at June 30, 2017 and classified fund balance into the following five classifications to describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

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).

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 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 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.

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

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (Continued)

12. Net Position

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

13. Net Position Flow Assumption

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

Note 2-Stewardship, Compliance, and Accountability:

A. Budgetary information

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

1. Prior to 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, Economic Development, 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.
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.

Note 2-Stewardship, Compliance, and Accountability: (Continued)

A. Budgetary information (Continued)

5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, 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. 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, 2017, there were no departments that had expenditures in excess of appropriations.

C. Deficit fund equity

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

Note 3-Deposits and Investments:

Deposits:

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2017

Note 3-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).

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County’s investments at June 30, 2017 were held in the County’s name by the County’s custodial bank.

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, 2017 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.

County's Rated Debt Investments' Values

Rated Debt Investments	Fair Quality Ratings		
	AAAm	Unrated	Total
Local Government Investment Pool (LGIP)	\$ 5,776,665	\$ -	\$ 5,776,665
U.S. Agencies	713	-	713
Exchange Traded Fund (ETF)	-	57,687	57,687
Total	\$ 5,777,378	\$ 57,687	\$ 5,835,065

Concentration of Credit Risk: At June 30, 2017, 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:

Investment type	Fair Value	Less than 1yr
Local Government Investment Pool (LGIP)	\$ 5,776,665	\$ 5,776,665
U.S. Agencies	713	713
Exchange Traded Fund (ETF)	57,687	57,687
Total	\$ 5,835,065	\$ 5,835,065

External Investment Pools: The fair value of the positions in the external investment pool (Local Government Investment Pool (LGIP)) 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 is an amortized cost basis portfolio under the provisions of GASB Statement No. 79. There are no withdrawal limitations or restrictions imposed on participants.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2017

Note 4-Fair Value Measurements:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The County maximizes the use of observable inputs and minimizes the use of unobservable inputs. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels as follows:

- Level 1. Quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at a measurement date
- Level 2. Directly or indirectly observable inputs for the asset or liability other than quoted prices
- Level 3. Unobservable inputs that are supported by little or no market activity for the asset or liability

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk.

The County has the following recurring fair value measurements as of June 30, 2017:

Investment	6/30/2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Governmental Agency				
Obligations (U.S. Agencies)	\$ 713	\$ 713	\$ -	\$ -
Exchange Traded Fund (ETF)	57,687	57,687	-	-
Total	\$ 58,400	\$ 58,400	\$ -	\$ -

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2017

Note 5-Due from Other Governmental Units:

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

	<u>Primary Government Governmental Activities</u>	<u>Component Unit- School Board</u>
<u>Commonwealth of Virginia:</u>		
Local sales tax	\$ 78,249	\$ -
Communications tax	59,064	-
State sales tax	-	378,975
Categorical aid	175,922	-
Noncategorical aid	5,529	-
Virginia public assistance funds	58,220	-
Children's services act	103,194	-
<u>Federal Government:</u>		
Virginia public assistance funds	84,209	-
Categorical aid	153,536	290,752
Totals	<u>\$ 717,923</u>	<u>\$ 669,727</u>

Note 6-Interfund/Component-Unit Obligations and Transfers:

The following amounts represent interfund obligations at year end:

<u>Fund</u>	<u>(Due to)/ Due from Funds</u>	<u>Due to Primary Government/ Comp. Unit</u>	<u>Due from Primary Government/ Comp. Unit</u>
<u>Primary Government:</u>			
General Fund	\$ 500	\$ -	\$ 329,328
Water Fund	(500)	-	-
Total Primary Government	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 329,328</u>
<u>Component Unit - School Board:</u>			
School Operating Fund		<u>\$ 329,328</u>	<u>\$ -</u>

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2017

Note 6-Interfund/Component-Unit Obligations and Transfers: (Continued)

Interfund transfers for the fiscal year ended June 30, 2017 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ -	\$ 58,104
Economic Development Fund	58,104	-
Total	<u>\$ 58,104</u>	<u>\$ 58,104</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.

Note 7-Long-Term Obligations:

Primary Government - Governmental Activities Obligations:

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

	(As Restated) Balance July 1, 2016	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2017
General obligation bonds	\$ 15,478,753	\$ -	\$ (614,050)	\$ 14,864,703
Premium on bond	1,836,485	-	(188,771)	1,647,714
Note payable	662,477	45,000	(13,616)	693,861
Capital lease	152,819	332,565	(28,202)	457,182
Net pension liability (ERIP)	234,300	34,900	(7,700)	261,500
Net OPEB obligation	198,100	55,200	(4,400)	248,900
Compensated absences	360,414	198,074	(270,311)	288,177
Net pension liability (VRS)	5,257,154	2,057,528	(1,234,788)	6,079,894
Total	<u>\$ 24,180,502</u>	<u>\$ 2,723,267</u>	<u>\$ (2,361,838)</u>	<u>\$ 24,541,931</u>

On September 8, 2014, the County agreed to allow the Virginia Public School Authority (VPSA) to refinance its 2005 bond issuance. The refinance was performed a no cost to the County and provided savings of \$68,796 to be credited against interest payments from FY16 - FY26. Interest shown in the following schedule is net of those savings credits.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2017

Note 7-Long-Term Obligations: (Continued)

Primary Government - Governmental Activities Obligations: (Continued)

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

Year Ending June 30,	General Obligation Bonds		Note Payable	
	Principal	Interest	Principal	Interest
2018	\$ 634,801	\$ 631,590	\$ 17,596	\$ 21,176
2019	660,591	604,517	18,087	20,685
2020	691,422	573,238	18,592	20,180
2021	722,297	537,500	19,111	19,661
2022	753,218	500,202	13,975	19,161
2023-2027	4,252,374	1,882,375	55,347	90,693
2028-2032	4,920,000	846,893	64,694	81,346
2033-2037	2,230,000	79,875	75,620	70,420
2038-2042	-	-	88,390	57,650
2043-2047	-	-	103,318	42,722
2048-2052	-	-	120,766	25,274
2053-2056	-	-	98,365	5,750
Totals	<u>\$ 14,864,703</u>	<u>\$ 5,656,190</u>	<u>\$ 693,861</u>	<u>\$ 474,718</u>

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COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2017

Note 7-Long-Term Obligations: (Continued)

Primary Government - Governmental Activities Obligations: (Continued)

Details of long-term obligations:

	<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	\$ 299,703	\$ 29,801
General Obligation Bond	5.10%	11/10/05	2025	995,000	445,000	50,000
General Obligation Bond	3.05%-5.05%	05/09/13	2034	15,670,000	14,120,000	555,000
Subtotal					\$ 14,864,703	\$ 634,801
Premium on Bond				87,862	39,539	4,393
Premium on Bond				2,157,388	1,608,175	181,928
Total General Obligation Bonds					\$ 16,512,417	\$ 821,122
<u>Notes Payable:</u>						
Note Payable	3.125%	03/23/16	2056	\$ 665,000	\$ 653,849	\$ 8,888
Note Payable	2.375%	11/28/16	2022	45,000	40,012	8,708
Total Notes Payable					\$ 693,861	\$ 17,596
<u>Other Obligations:</u>						
Capital lease					\$ 457,182	\$ 76,846
Net OPEB Obligation					248,900	-
Net Pension Liability (ERIP)					261,500	-
Compensated Absences					288,177	216,133
Net Pension Liability (VRS)					6,079,894	-
Total Other Obligations					\$ 7,335,653	\$ 292,979
Total Long-term Obligations					\$ 24,541,931	\$ 1,131,697

Primary Government - Business-type Activities Indebtedness:

The following is a summary of long-term obligations transactions of the Enterprise Fund for the year ended June 30, 2017:

	<u>Balance July 1, 2016</u>	<u>Issuances</u>	<u>Retirements</u>	<u>Balance June 30, 2017</u>
Revenue Bonds	\$ 35,595	\$ -	\$ (4,260)	\$ 31,335
Total	\$ 35,595	\$ -	\$ (4,260)	\$ 31,335

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2017

Note 7-Long-Term Obligations: (Continued)

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

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

Year Ending June 30,	Revenue Bonds	
	Principal	Interest
2018	\$ 3,622	\$ 1,295
2019	3,779	1,138
2020	3,942	975
2021	4,113	804
2022	4,292	625
2023-2025	11,587	736
Totals	<u>\$ 31,335</u>	<u>\$ 5,573</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>						
Water Revenue Bonds	4.25%	02/05/15	2025	\$ 40,000	\$ 31,335	\$ 3,622
Total Long-term Obligations					<u>\$ 31,335</u>	<u>\$ 3,622</u>

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COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2017

Note 8-Long-term Obligations-Component Unit School Board:

Discretely Presented Component Unit-School Board-Obligations:

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

	<u>Balance July 1, 2016</u>	<u>Increases/ Issuances</u>	<u>Decreases/ Retirements</u>	<u>Balance June 30, 2017</u>
Net OPEB obligation	\$ 504,100	\$ 133,300	\$ (127,900)	\$ 509,500
Early retirement incentive plan	202,759	-	(43,955)	158,804
Compensated absences	92,257	113,553	(69,193)	136,617
Net pension liability	16,444,189	3,500,249	(3,974,899)	15,969,539
Total	<u>\$ 17,243,305</u>	<u>\$ 3,747,102</u>	<u>\$ (4,215,947)</u>	<u>\$ 16,774,460</u>

Details of long-term obligations:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<u>Other Obligations:</u>		
Net OPEB obligation	\$ 509,500	\$ -
Early retirement incentive plan	158,804	-
Compensated absences	136,617	102,463
Net pension liability	15,969,539	-
Total Long-term Obligations	<u>\$ 16,774,460</u>	<u>\$ 102,463</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2017

Note 9-Pension Plan:

Plan Description

All full-time, salaried permanent employees of the County and (nonprofessional) employees of the public school divisions are automatically covered by the VRS Retirement Plan upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. However, several entities whose financial information is not included in the primary government report participate in the VRS plan through County of Grayson, Virginia and the participating entities report their proportionate information on the basis of a cost-sharing plan.

All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Retirement Plan upon employment. This is a cost-sharing multiple employer plan administered by the Virginia Retirement System (the system).

Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

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

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

Note 9-Pension Plan: (Continued)

Plan Description (Continued)

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

Note 9-Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Hybrid Opt-In Election (Cont.) The Hybrid Retirement Plan’s effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p>Hybrid Opt-In Election (Cont.) The Hybrid Retirement Plan’s effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees. <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees are paying the full 5% as of July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees are paying the full 5% as of July 1, 2016.</p>	<p>Retirement Contributions A member’s retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee’s creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>

Note 9-Pension Plan: (Continued)

Plan Description (Continued)

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

Note 9-Pension Plan: (Continued)

Plan Description (Continued)

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

Note 9-Pension Plan: (Continued)

Plan Description (Continued)

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

Note 9-Pension Plan: (Continued)

Plan Description (Continued)

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

Note 9-Pension Plan: (Continued)

Plan Description (Continued)

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

Note 9-Pension Plan: (Continued)

Plan Description (Continued)

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

Note 9-Pension Plan: (Continued)

Plan Description (Continued)

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

Note 9-Pension Plan: (Continued)

Plan Description (Continued)

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

Note 9-Pension Plan: (Continued)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Contributions

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

The County's contractually required contribution rate for the year ended June 30, 2017 was 15.69% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were \$648,735 and \$712,656 for the years ended June 30, 2017 and June 30, 2016, respectively.

Net Pension Liability

At June 30, 2017, the County reported a liability of \$6,079,894 for its proportionate share of the net pension liability. The County's net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016. In order to allocate the net pension liability to all employers included in the plan, the County is required to determine its proportionate share of the net pension liability. Employer contributions to VRS as of June 30, 2016 and 2015 was used as a basis for allocation to determine the County's proportionate share of the net pension liability. At June 30, 2016 and 2015, the County's proportion was 96.31% and 94.61%, respectively.

Note 9-Pension Plan: (Continued)

Actuarial Assumptions - General Employees (Continued)

The total pension liability for General Employees in the Grayson County's Retirement Plan and the Grayson County School Board Retirement Plan was based on an actuarial valuation as of June 30, 2015, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

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

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

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

Largest 10 - Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 9-Pension Plan: (Continued)

Actuarial Assumptions - General Employees (Continued)

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

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

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Actuarial Assumptions - Public Safety Employees

The total pension liability for Public Safety employees in the Grayson County's Retirement Plan was based on an actuarial valuation as of June 30, 2015, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

Inflation	2.5%
Salary increases, including inflation	3.5% - 4.75%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

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

Note 9-Pension Plan: (Continued)

Actuarial Assumptions - Public Safety Employees (Continued)

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

Largest 10 - Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - LEOS:

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

Note 9-Pension Plan: (Continued)

Long-Term Expected Rate of Return

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

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

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

Note 9-Pension Plan: (Continued)

Discount Rate

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

Sensitivity of the County’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
County's proportionate share of the County Retirement Plan Net Pension Liability (Asset)	\$ 8,636,927	\$ 6,079,894	\$ 3,935,661

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

For the year ended June 30, 2017, the County recognized pension expense of \$642,603. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from difference between employer contributions and the proportionate share of employer contributions.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2017

Note 9-Pension Plan: (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

At June 30, 2017, The County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Primary Government</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 122,235	\$ -
Net difference between projected and actual earnings on pension plan investments	401,673	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	75,660	-
Employer contributions subsequent to the measurement date	<u>648,735</u>	<u>-</u>
Total	<u>\$ 1,248,303</u>	<u>\$ -</u>

\$648,735 reported as deferred outflows of resources related to pensions resulting from the County's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	<u>Primary Government</u>
2018	\$ 86,212
2019	66,729
2020	265,493
2021	181,134
Thereafter	-

Note 9-Pension Plan: (Continued)

Component Unit School Board (nonprofessional)

Plan Description

Additional information related to the plan description, plan contribution requirements, actuarial assumptions, long-term expected rate of return, and discount rate is included in the first section of this note.

Employees Covered by Benefit Terms

As of the June 30, 2015 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Component Unit School Board Nonprofessional</u>
Inactive members or their beneficiaries currently receiving benefits	43
Inactive members:	
Vested inactive members	9
Non-vested inactive members	8
Inactive members active elsewhere in VRS	<u>12</u>
Total inactive members	29
Active members	<u>73</u>
Total covered employees	<u><u>145</u></u>

Contributions

The Component Unit School Board’s contractually required contribution rate for nonprofessional employees for the year ended June 30, 2017 was 6.83% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2017

Note 9-Pension Plan: (Continued)

Component Unit School Board (nonprofessional) (Continued)

Contributions (Continued)

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board's nonprofessional employees were \$70,286 and \$105,194 for the years ended June 30, 2017 and June 30, 2016, respectively.

Net Pension Liability

The Component Unit School Board's (nonprofessional) net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

Changes in Net Pension Liability

	Component School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2015	\$ 5,443,154	\$ 5,095,965	\$ 347,189
Changes for the year:			
Service cost	\$ 129,545	\$ -	\$ 129,545
Interest	372,488	-	372,488
Differences between expected and actual experience	(53,238)	-	(53,238)
Contributions - employer	-	105,215	(105,215)
Contributions - employee	-	52,631	(52,631)
Net investment income	-	87,815	(87,815)
Benefit payments, including refunds of employee contributions	(243,791)	(243,791)	-
Administrative expenses	-	(3,179)	3,179
Other changes	-	(37)	37
Net changes	\$ 205,004	\$ (1,346)	\$ 206,350
Balances at June 30, 2016	\$ 5,648,158	\$ 5,094,619	\$ 553,539

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2017

Note 9-Pension Plan: (Continued)

Component Unit School Board (nonprofessional) (Continued)

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

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
Component Unit School Board (nonprofessional)			
Net Pension Liability (Asset)	\$ 1,209,172	\$ 553,539	\$ (2,622)

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

For the year ended June 30, 2017, the Component Unit School Board (nonprofessional) recognized pension expense of \$67,023. At June 30, 2017, the Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Component Unit School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 62,232
Net difference between projected and actual earnings on pension plan investments	137,257	-
Employer contributions subsequent to the measurement date	70,286	-
Total	\$ <u>207,543</u>	\$ <u>62,232</u>

Note 9-Pension Plan: (Continued)

Component Unit School Board (nonprofessional) (Continued)

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

\$70,286 reported as deferred outflows of resources related to pensions resulting from the Component Unit School Board’s (nonprofessional) contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	<u>Component Unit School Board (nonprofessional)</u>
2018	\$ (31,998)
2019	(21,879)
2020	75,744
2021	53,158
Thereafter	-

Component Unit School Board (professional)

Plan Description

Additional information related to the plan description, plan contribution requirements, long-term expected rate of return, and discount rate is included in the first section of this note.

Contributions

Each School Division’s contractually required contribution rate for the year ended June 30, 2017 was 14.66% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and reflects the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarial rate for the Teacher Retirement Plan was 16.32%. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the Code of Virginia, as amended the contributions were funded at 89.84% of the actuarial rate for the year ended June 30, 2017. Contributions to the pension plan from the School Board were \$1,295,037 and \$1,171,227 for the years ended June 30, 2017 and June 30, 2016, respectively.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2017

Note 9-Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

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

At June 30, 2017, the school division reported a liability of \$15,416,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2016 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2016 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2016, the school division's proportion was 0.11000% as compared to 0.12789% at June 30, 2015.

For the year ended June 30, 2017, the school division recognized pension expense of \$870,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2017, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 500,000
Net difference between projected and actual earnings on pension plan investments	881,000	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	12,000	1,992,000
Employer contributions subsequent to the measurement date	<u>1,295,037</u>	<u>-</u>
Total	<u>\$ 2,188,037</u>	<u>\$ 2,492,000</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2017

Note 9-Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

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

\$1,295,037 reported as deferred outflows of resources related to pensions resulting from the school division’s contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>		
2018	\$	(559,000)
2019		(559,000)
2020		(63,000)
2021		(198,000)
Thereafter		(220,000)

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2015, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

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

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

Note 9-Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Actuarial Assumptions (Continued)

Mortality rates:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2017

Note 9-Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2017, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

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

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

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

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

		Rate		
		(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset)	\$	21,975,555	\$ 15,416,000	\$ 10,012,509

Note 9-Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 10-Other Postemployment Benefits - Health Insurance:

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.

The Grayson School Board 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 School Board and can be amended through Board's action. The Plan does not issue a publicly available financial report. Additionally, the School Board 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2017

Note 10-Other Postemployment Benefits - Health Insurance: (Continued)

B. Funding Policy

The County and School Board currently pay for post-retirement health care benefits on a pay-as-you-go basis. In addition, for County and School Board retirees, 100 percent of premiums for both the employee and spouse are the responsibility of the retiree. However, retirees under the Early Retirement Incentive Plan, the School Board pays \$386.07 toward monthly premiums. Coverage under the plan ceases when the employee reaches age 65. The monthly premiums are as follows:

County:		<u>Low Plan</u>	<u>High Plan</u>	
Employee Only	\$	524	\$ 567	
Employee and Spouse		1,170	1,265	
Employee and Child		718	777	
Family		1,615	1,746	
School Board: (Medical & Comprehensive Dental)		<u>Base Plan</u>	<u>High Plan</u>	<u>High Ded. Plan</u>
Employee Only	\$	585	\$ 625	\$ 482
Employee and Spouse		1,082	1,156	892
Employee and Child		1,082	1,156	892
Family		1,580	1,688	1,301
School Board: (Medical & Preventative Dental)		<u>Base Plan</u>	<u>High Plan</u>	<u>High Ded. Plan</u>
Employee Only	\$	574	\$ 614	\$ 471
Employee and Spouse		1,062	1,136	871
Employee and Child		1,062	1,136	871
Family		1,550	1,658	1,272

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2017

Note 10-Other Postemployment Benefits - Health Insurance: (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:

	<u>County</u>	<u>School Board</u>	<u>Total</u>
Annual required contribution	\$ 62,200	\$ 151,000	\$ 213,200
Interest on net OPEB obligation	7,900	20,200	28,100
Adjustment to annual required contribution	(14,900)	(37,900)	(52,800)
Annual OPEB cost (expense)	<u>\$ 55,200</u>	<u>\$ 133,300</u>	<u>\$ 188,500</u>
Contributions made	(4,400)	(127,900)	(132,300)
Increase in net OPEB obligation	<u>\$ 50,800</u>	<u>\$ 5,400</u>	<u>\$ 56,200</u>
Net OPEB obligation - beginning of year	198,100	504,100	702,200
Net OPEB obligation - end of year	<u>\$ 248,900</u>	<u>\$ 509,500</u>	<u>\$ 758,400</u>

The County's and School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and the two preceding years were as follows:

County:		Percentage of	
Fiscal	Annual	Annual OPEB Cost	Net OPEB
Year Ended	OPEB Cost	Contributed	Obligation
6/30/2017	\$ 55,200	8%	\$ 248,900
6/30/2016	61,100	30%	198,100
6/30/2015	59,300	23%	155,500
School Board:		Percentage of	
Fiscal	Annual	Annual OPEB Cost	Net OPEB
Year Ended	OPEB Cost	Contributed	Obligation
6/30/2017	\$ 133,300	96%	\$ 509,500
6/30/2016	167,100	87%	504,100
6/30/2015	167,600	81%	483,100

D. Funded Status and Funding Progress

Primary Government:

As of July 1, 2016, the most recent actuarial valuation date, the actuarial accrued liabilities (AAL) were \$434,900, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$3,756,500, and ratio of the UAAL to the covered payroll was 11.58%.

Note 10-Other Postemployment Benefits - Health Insurance: (Continued)

D. Funded Status and Funding Progress (continued)

Component Unit - School Board:

As of July 1, 2016, the most recent actuarial valuation date, the actuarial accrued liabilities (AAL) were \$1,365,100, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$9,228,700, and ratio of the UAAL to the covered payroll was 14.79%.

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.

Primary Government:

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 6.5 percent decreasing at a rate of 0.5 percent until an ultimate rate of 5.0 percent is reached. The UAAL is being amortized as a level percentage over the remaining amortization period, which at July 1, 2016, was 15 years.

Component Unit - School Board:

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 7.5 percent decreasing at a rate of 0.5 percent until an ultimate rate of 5.0 percent is reached. The UAAL is being amortized as a level percentage over the remaining amortization period, which at July 1, 2016, was 15 years.

Note 11- Other Postemployment Benefits - VRS Health Insurance Credit:

Professional Employees - Discretely Presented Component Unit School Board

A. Plan Description

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

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

B. Funding Policy

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. Contribution rates were 1.11%, 1.06%, and 1.11%, of annual covered payroll for the years ending June 30, 2017, 2016, and 2015, respectively. The School Board's contributions to VRS for the years ending June 30, 2017, 2016, and 2015 were \$98,866, \$88,838, and \$100,544, respectively and equaled the required contributions for each year.

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COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2017

Note 12-Capital Assets:

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

Primary Government:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 749,787	\$ -	\$ -	\$ 749,787
Construction in progress	172,729	1,156,906	(787,325)	542,310
Total capital assets not being depreciated	<u>\$ 922,516</u>	<u>\$ 1,156,906</u>	<u>\$ (787,325)</u>	<u>\$ 1,292,097</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 27,326,168	\$ 815,948	\$ -	\$ 28,142,116
Machinery and equipment	2,996,222	168,869	(82,471)	3,082,620
Total capital assets being depreciated	<u>\$ 30,322,390</u>	<u>\$ 984,817</u>	<u>\$ (82,471)</u>	<u>\$ 31,224,736</u>
Accumulated depreciation:				
Buildings and improvements	\$ (5,473,608)	\$ (719,116)	\$ -	\$ (6,192,724)
Machinery and equipment	(1,915,334)	(316,121)	82,471	(2,148,984)
Total accumulated depreciation	<u>\$ (7,388,942)</u>	<u>\$ (1,035,237)</u>	<u>\$ 82,471</u>	<u>\$ (8,341,708)</u>
Total capital assets being depreciated, net	<u>\$ 22,933,448</u>	<u>\$ (50,420)</u>	<u>\$ -</u>	<u>\$ 22,883,028</u>
Governmental activities capital assets, net	<u>\$ 23,855,964</u>	<u>\$ 1,106,486</u>	<u>\$ (787,325)</u>	<u>\$ 24,175,125</u>

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COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2017

Note 12-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	-	26,590	-	26,590
Total capital assets not being depreciated	<u>\$ 10,648</u>	<u>\$ 26,590</u>	<u>\$ -</u>	<u>\$ 37,238</u>
Capital assets, being depreciated:				
Infrastructure	\$ 3,619,708	\$ -	\$ -	\$ 3,619,708
Machinery and equipment	32,310	-	-	32,310
Total capital assets being depreciated	<u>\$ 3,652,018</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,652,018</u>
Accumulated depreciation:				
Infrastructure	\$ (1,225,021)	\$ (92,142)	\$ -	\$ (1,317,163)
Machinery and equipment	(30,116)	(1,097)	-	(31,213)
Total accumulated depreciation	<u>\$ (1,255,137)</u>	<u>\$ (93,239)</u>	<u>\$ -</u>	<u>\$ (1,348,376)</u>
Total capital assets being depreciated, net	<u>\$ 2,396,881</u>	<u>\$ (93,239)</u>	<u>\$ -</u>	<u>\$ 2,303,642</u>
Business-type activities capital assets, net	<u><u>\$ 2,407,529</u></u>	<u><u>\$ (66,649)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,340,880</u></u>

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

Governmental activities:	
General government administration	\$ 88,105
Public safety	170,443
Public works	137,706
Health and welfare	19,126
Education	501,417
Parks, recreation, and culture	40,780
Community development	77,660
Total depreciation expense-governmental activities	<u><u>\$ 1,035,237</u></u>
Business-type activities:	
Water	\$ 93,239
Total depreciation expense-business type activities	<u><u>\$ 93,239</u></u>

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2017

Note 12-Capital Assets: (Continued)

Capital asset activity for the School Board for the year ended June 30, 2017 was as follows:

Discretely Presented Component Unit:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 144,690	\$ -	\$ -	\$ 144,690
Construction in progress	121,822	518,656	(359,156)	281,322
Total capital assets not being depreciated	<u>\$ 266,512</u>	<u>\$ 518,656</u>	<u>\$ (359,156)</u>	<u>\$ 426,012</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 13,320,708	\$ 359,156	\$ (334,776)	\$ 13,345,088
Machinery and equipment	4,249,830	137,707	(49,710)	4,337,827
Total capital assets being depreciated	<u>\$ 17,570,538</u>	<u>\$ 496,863</u>	<u>\$ (384,486)</u>	<u>\$ 17,682,915</u>
Accumulated depreciation:				
Buildings and improvements	\$ (10,984,717)	\$ (269,407)	\$ 90,846	\$ (11,163,278)
Machinery and equipment	(3,335,295)	(207,765)	44,557	(3,498,503)
Total accumulated depreciation	<u>\$ (14,320,012)</u>	<u>\$ (477,172)</u>	<u>\$ 135,403</u>	<u>\$ (14,661,781)</u>
Total capital assets being depreciated, net	<u>\$ 3,250,526</u>	<u>\$ 19,691</u>	<u>\$ (249,083)</u>	<u>\$ 3,021,134</u>
Governmental activities capital assets, net	<u><u>\$ 3,517,038</u></u>	<u><u>\$ 538,347</u></u>	<u><u>\$ (608,239)</u></u>	<u><u>\$ 3,447,146</u></u>

Note 13-Risk Management:

The County and its component unit - School Board are exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The County and its component unit - School Board participate with other localities in a public entity risk pool for their coverage of general liability 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 (CONTINUED)
JUNE 30, 2017

Note 14-Commitments and Contingencies:

Contingencies:

Federal programs in which the County participates were audited in accordance with the provisions of Uniform Guidance. Pursuant to the provisions of this guidance all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by audit, the Federal Government may subject grant programs to additional compliance tests, which may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

Note 15-Surety Bonds:

Primary Government:

Fidelity & Deposit Company of Maryland-Surety:

Susan Herrington, Clerk of the Circuit Court	\$ 500,000
Kelly Haga, 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 16-Notes Receivable:

On June 5, 2008, the County loaned \$150,000 to Millworks LLC. The loan is payable in 120 monthly installments of \$1,380 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, 2017 was \$90,859. The note is delinquent as of June 30, 2017, but the County still expects full repayment.

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, 2017 was \$60,722. The note is delinquent as of June 30, 2017, but the County expects full repayment is properly secured in case of default.

Note 17-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.

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, 2017, the unfunded balance of the early retirement incentive plan totaled \$158,804.

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

Note 18-County Early Retirement Incentive Plan:

Defined Benefit Plan

Plan Description:

The effective date of the Supplemental Retirement Program for Grayson County is July 1, 2000.

The Supplemental Retirement Program is a single-employer defined benefit plan. The Supplemental Retirement Program has one participating employer, Grayson County, Virginia. Participants who meet the following eligibility requirements are eligible to receive benefits from the plan:

- Participant is a former employee of Grayson County, Virginia and has retired for purposes of eligibility to receive retirement benefits under the Virginia Retirement System;
- Participant has a bona fide separation from service of at least 30 days during a period of time the employee would normally be working;
- Participant is not eligible for disability retirement benefits under the Virginia Retirement System or Social Security; and
- Participant has at least 5 consecutive years of employment with Grayson County, Virginia immediately preceding retirement.
- Participant was not a constitutional officer or an employee of a constitutional officer.

Note 18-County Early Retirement Incentive Plan: (Continued)

A participant may elect to receive a retirement benefit in one of the forms of payment shown below. The retirement benefit shall commence in accordance with plan provisions and the participant must elect to have his retirement benefit commence no later than his Social Security Retirement Age. Optional forms of payments:

- Monthly payment of 30% of plan annual compensation divided by 12 for 48 months following date of retirement
- Monthly payment of 24% of plan annual compensation divided by 12 for 60 months following date of retirement
- Monthly payment of 20% of plan annual compensation divided by 12 for 72 months following date of retirement
- Monthly payment of 17.14% of plan annual compensation divided by 12 for 84 months following date of retirement

A participant should always be 100% vested in their accrued benefit and if the participant fails to complete their entire contract period the benefits will be paid on a pro-rata basis. The contract period is defined as working 87% of the fiscal year. If the total benefit is less than \$5,000 then payment will be made in a single lump sum payment.

If a participant dies prior to the commencement of his retirement benefit, his beneficiary shall receive a death benefit equal to the retirement benefit the participant would have received had the participant retired the day before his death. The participant's beneficiary shall choose a form of benefit as described above. In the event a participant dies after the first year of participation in the plan, the benefit will be the entire remaining balance of the participant's account.

Contributions Policy

All funding is paid by the employer, Grayson County, Virginia, and no employee contributions are allowed or required.

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Note 18-County Early Retirement Incentive Plan: (Continued)

Actuarial Methods and Assumptions Used to Determine Contribution Rates and Net Pension Liability

The following assumptions were used to determine contribution rates and net pension liability:

Actuarial Methods:

- Actuarial Cost Method—the actuarial cost method used to determine the actuarial accrued liability and the normal cost for both funding and financial reporting purposes is the Entry Age Actuarial Cost Method. The accrued liability and the normal cost are used to determine the County’s contribution requirement. Under this method, the cost of each individual’s pension is allocated on a level percent of payroll basis between the time employment starts (entry age) and the assumed retirement date. The normal cost is the amount allocated for a given year and actuarial liability is the accumulation of prior normal costs as of the determination date. The total actuarial liability for retirement benefits is the sum of the actuarial liability for all members.
- Asset Cost Method—
 - GASB 68--Market value of assets
 - Actuarially determined contribution—Market value of assets
- Amortization Method—
 - GASB 68 recognition period—For differences between expected and actual experience with regard to economic or demographic factors and for changes in assumptions, the amounts will be amortized over a closed period equal to the average of the expected remaining service lives of all employees determined at the beginning of the measurement period. The differences between projected and actual earnings on pension plan investments will be recognized over a closed five-year period.

Actuarial Assumptions for GASB 68 Results:

- Valuation date—July 1, 2016
- Measurement date—June 30, 2017
- Mortality table— RP 2014 Mortality tables, fully generational using improvement scale MP-2016
- Interest rate—
 - Discount rate—July 1, 2017 and 2016 valuations is 6%.
 - Expected long term rate of return—July 1, 2017 and 2016 valuations is 6%.
- Inflation—2.5% per year
- Salary increase—2.5% per year
- Ad-hoc COLA—None

Note 18-County Early Retirement Incentive Plan: (Continued)

Plan Membership

As of June 30, 2017, membership in the Supplemental Retirement Program was comprised as follows:

Active participants	12
Terminated vested participants	-
Participants receiving benefits	-
Total	12

Net Pension Liability

A detailed schedule of changes in the net pension liability is presented under required supplementary information. This information is intended to help users assess the extent of the Grayson County’s obligation to the Defined Benefit Plan. The net pension liability at June 30, 2017 is as follows:

Total pension liability (TPL)	\$ 321,700
Plan fiduciary net position	60,200
Net pension liability (NPL)	261,500
Plan fiduciary net position as a percentage of the total pension liability	18.71%
Covered employee payroll	469,800
Net pension liability as a percentage of covered employee payroll	55.66%

Expected Rate of Return and Target Allocation

The long-term expected rate of return on pension plan investments was determined based on the current investment portfolio.

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Note 18-County Early Retirement Incentive Plan: (Continued)

Sensitivity of the Net Pension Liability

Changes in the discount rate affect the measurement of pension liabilities; therefore, a small change in the discount rate could result in a significant change in the net pension liability. As an illustration, the following table presents the net pension liability for the Supplemental Retirement Program calculated using the discount rate of 6%, as well as what the Supplemental Retirement Program’s net pension liability would be if it were calculated using a discount rate of one percentage point lower (5 percent) or one percentage point higher (7 percent) than the current rate:

Sensitivity of the Net Pension Liability to Changes in the Discount Rate			
	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
Total Pension Liability	\$ 342,400	\$ 321,700	\$ 302,300
Plan Fiduciary Net Position	60,200	60,200	60,200
Net Pension Liability	282,200	261,500	242,100

Summary of Deferred Outflows and Inflows of Resources

Grayson County reports deferred outflows of resources and deferred inflows of resources on its Statement of Net Position as a result of pension related activities required under GAAP. Deferred outflows of resources represent a consumption of net position that is applied to future periods and, thus, is not recognized as an outflow of resources or expense until a later year. Deferred inflows of resources are an acquisition of net position that is not recognized in the current year but are recognized as an inflow of resources or revenue in a future year.

Since certain pension expense items are amortized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts increase the expense, they are labeled as deferred outflows and amounts that decrease the expense are labeled as deferred inflows. These outflows and inflows are amortized on a level dollar basis with no interest added for the deferred amounts. Deferred experience gains/losses and changes in assumptions are amortized over the average remaining service lives of all employees that are provided with pensions through the pension plan at the beginning of the measurement period. Investment gains/losses are amortized over a five year period.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2017

Note 18-County Early Retirement Incentive Plan: (Continued)

Summary of Deferred Outflows and Inflows of Resources (Continued)

The component make up of deferred inflows of resources and deferred outflows of resources is as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ -
Difference between expected and actual investment earnings	4,000	-

The amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions are amortized over specific years and recognized in pension expense in future years as shown below:

Amortization Schedule of Deferred Outflows and Inflows of Resources

<u>Year Ended June 30,</u>	
2018	\$ 1,000
2019	1,000
2020	1,000
2021	1,000
2022	-
Thereafter	-

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COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2017

Note 18-County Early Retirement Incentive Plan: (Continued)

Components of Pension Expense

	Pension Expense
Service Cost	\$ 7,700
Interest Cost	18,400
Projected Earnings on Plan Assets	(3,900)
Recognition of Outflow of Resources due to differences between expected and actual experience in the measurement of total pension liability	-
Recognition of Inflow of Resources due to differences between projected and actual earnings on plan investments	1,000
Administrative Expense	-
Pension Expense	<u>\$ 23,200</u>

The Defined Benefit Plan is considered part of the Grayson County's financial reporting entity and is included in the financial statements as a Pension Trust Fund.

Note 19-Deferred/Unavailable Revenue:

Deferred/unavailable 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.

	Government-wide Statements <u>Governmental Activities</u>	Balance Sheet <u>Governmental Funds</u>
Primary Government:		
Unavailable property tax revenue representing uncollected property tax billings that are not available for the funding of current expenditures	\$ -	\$ 1,015,825
Tax assessments due after June 30	10,219,551	10,219,551
Prepaid taxes relating to taxes due in a future period	<u>55,265</u>	<u>55,265</u>
Total deferred/unavailable revenue	<u>\$ 10,274,816</u>	<u>\$ 11,290,641</u>

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 20-Litigation:

At June 30, 2017, 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.

Note 21-Subsequent Events:

On July 10, 2017, the School Board entered into a school bus lease with an issue price of \$418,812 and an interest rate of 2.824% over five years. The lease allowed the School Board to purchase 5 new school buses and will require the School Board to repay \$88,922 annually starting on September 15, 2017.

On October 17, 2017, the County used on hand reserves to pay off the notes payable with a total balance of \$693,891 as of June 30, 2017.

Note 22-Restatement:

The governmental activities as previously reported June 30, 2016, have been restated from \$11,368,385 to \$11,134,085. This is a decrease of \$234,300 as a result of recognizing the net pension liability for the County's early retirement plan (Note 18).

The Grayson County, Virginia 2016 audit report was originally issued on 1/24/2017 and then reissued on 12/19/2017. The reissuance increased General Fund revenue, expenditures, receivables, and payables by the same amounts providing no effect on ending fund balance or net position.

Note 23-Upcoming Pronouncements:

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

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

Note 23-Upcoming Pronouncements: (Continued)

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

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

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

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

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

Required Supplementary Information

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 9,779,000	\$ 9,779,000	\$ 10,191,512	\$ 412,512
Other local taxes	1,159,225	1,159,225	1,251,842	92,617
Permits, privilege fees, and regulatory licenses	57,300	57,300	78,610	21,310
Fines and forfeitures	15,200	15,200	19,792	4,592
Revenue from the use of money and property	42,100	42,100	66,105	24,005
Charges for services	1,614,250	1,669,250	1,700,802	31,552
Miscellaneous	305,397	406,769	214,601	(192,168)
Recovered costs	490,000	490,000	424,148	(65,852)
Intergovernmental:				
Commonwealth	3,910,333	3,956,082	3,919,365	(36,717)
Federal	1,633,483	2,460,564	2,123,020	(337,544)
Total revenues	\$ 19,006,288	\$ 20,035,490	\$ 19,989,797	\$ (45,693)
EXPENDITURES				
Current:				
General government administration	\$ 1,610,190	\$ 1,491,431	\$ 1,467,391	\$ 24,040
Judicial administration	985,263	934,303	943,616	(9,313)
Public safety	3,858,076	4,235,255	4,320,257	(85,002)
Public works	1,749,543	1,789,128	1,686,457	102,671
Health and welfare	2,922,957	2,966,304	2,814,099	152,205
Education	5,828,644	5,828,644	5,665,206	163,438
Parks, recreation, and cultural	487,522	480,865	449,665	31,200
Community development	871,796	1,406,892	882,118	524,774
Capital projects	135,000	458,974	1,220,230	(761,256)
Debt service:				
Principal retirement	627,665	627,665	655,868	(28,203)
Interest and other fiscal charges	673,538	673,538	688,082	(14,544)
Total expenditures	\$ 19,750,194	\$ 20,892,999	\$ 20,792,989	\$ 100,010
Excess (deficiency) of revenues over (under) expenditures	\$ (743,906)	\$ (857,509)	\$ (803,192)	\$ 54,317
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ -	\$ -	\$ (55,104)	\$ (55,104)
Issuance of note payable	-	-	45,000	45,000
Issuance of capital lease	-	-	332,565	332,565
Sale of capital assets	240,000	240,000	-	(240,000)
Total other financing sources (uses)	\$ 240,000	\$ 240,000	\$ 322,461	\$ 82,461
Net change in fund balances	\$ (503,906)	\$ (617,509)	\$ (480,731)	\$ 136,778
Fund balances - beginning	503,906	617,509	9,294,063	8,676,554
Fund balances - ending	\$ -	\$ -	\$ 8,813,332	\$ 8,813,332

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, 2017

	Economic Development Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 39,196	\$ 39,196
Recovered costs	-	-	16,311	16,311
Intergovernmental:				
Commonwealth	-	-	50,000	50,000
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 105,507</u>	<u>\$ 105,507</u>
EXPENDITURES				
Current:				
Community development	\$ -	\$ -	\$ 164,959	\$ (164,959)
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (59,452)</u>	<u>\$ (59,452)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 55,104	\$ 55,104
Sale of land	-	-	62,186	62,186
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 117,290</u>	<u>\$ 117,290</u>
Net change in fund balances	\$ -	\$ -	\$ 57,838	\$ 57,838
Fund balances - beginning	-	-	705,008	705,008
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 762,846</u>	<u>\$ 762,846</u>

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

Primary Government:
 County Postemployment Healthcare Plan

Actuarial Valuation as of (1)	Actuarial Value of Assets (2)	Actuarial Accrued Liability (AAL) (3)	Unfunded AAL (UAAL) (3) - (2) (4)	Funded Ratio (2)/(3) (5)	Covered Payroll (6)	UAAL as a % of Covered Payroll (4)/(6) (7)
July 1, 2016	\$ -	\$ 434,900	\$ 434,900	0.00%	\$ 3,756,500	11.58%
July 1, 2014	-	436,400	436,400	0.00%	3,463,000	12.60%
July 1, 2012	-	353,700	353,700	0.00%	3,165,300	11.17%

Discretely Presented Component Unit:
 School Board Postemployment Healthcare Plan

Actuarial Valuation as of (1)	Actuarial Value of Assets (2)	Actuarial Accrued Liability (AAL) (3)	Unfunded AAL (UAAL) (3) - (2) (4)	Funded Ratio (2)/(3) (5)	Covered Payroll (6)	UAAL as a % of Covered Payroll (4)/(6) (7)
July 1, 2016	\$ -	\$ 1,365,100	\$ 1,365,100	0.00%	\$ 9,228,700	14.79%
July 1, 2014	-	1,637,000	1,637,000	0.00%	10,144,600	16.14%
July 1, 2012	-	2,044,000	2,044,000	0.00%	10,445,800	19.57%

County of Grayson, Virginia
 Schedule of Employer's Proportionate Share of the Net Pension Liability
 For the Years Ended June 30, 2015 through June 30, 2017

Date (1)	Proportion of the Net Pension Liability (NPL) (2)	Proportionate Share of the NPL (3)	Covered Payroll (4)	Proportionate Share of the NPL as a Percentage of Covered Payroll (3)/(4) (5)	Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability (6)
Primary Government - County Retirement Plan					
2016	96.31%	\$ 6,079,894	\$ 3,778,664	160.90%	71.94%
2015	94.61%	5,257,154	3,631,405	144.77%	74.44%
2014	94.61%	4,836,844	3,532,363	136.93%	75.57%
Component Unit School Board (professional)					
2016	0.11000%	\$ 15,416,000	\$ 8,373,995	184.09%	68.28%
2015	0.12789%	16,097,000	9,484,994	169.71%	70.68%
2014	0.12803%	15,438,000	9,342,058	165.25%	70.88%

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

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

	2016	2015	2014
Total pension liability			
Service cost	\$ 129,545	\$ 137,242	\$ 131,743
Interest	372,488	358,587	340,515
Differences between expected and actual experience	(53,238)	(63,481)	-
Benefit payments, including refunds of employee contributions	(243,791)	(223,735)	(204,448)
Net change in total pension liability	\$ 205,004	\$ 208,613	\$ 267,810
Total pension liability - beginning	5,443,154	5,234,541	4,966,731
Total pension liability - ending (a)	\$ 5,648,158	\$ 5,443,154	\$ 5,234,541
Plan fiduciary net position			
Contributions - employer	\$ 105,215	\$ 292,271	\$ 130,031
Contributions - employee	52,631	61,197	66,050
Net investment income	87,815	222,854	646,555
Benefit payments, including refunds of employee contributions	(243,791)	(223,735)	(204,448)
Administrative expense	(3,179)	(2,874)	(3,460)
Other	(37)	(46)	34
Net change in plan fiduciary net position	\$ (1,346)	\$ 349,667	\$ 634,762
Plan fiduciary net position - beginning	5,095,965	4,746,298	4,111,536
Plan fiduciary net position - ending (b)	\$ 5,094,619	\$ 5,095,965	\$ 4,746,298
School Division's net pension liability - ending (a) - (b)	\$ 553,539	\$ 347,189	\$ 488,243
Plan fiduciary net position as a percentage of the total pension liability	90.20%	93.62%	90.67%
Covered payroll	\$ 1,055,105	\$ 1,232,649	\$ 1,271,330
School Division's net pension liability as a percentage of covered payroll	52.46%	28.17%	38.40%

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

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

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government					
2017	\$ 648,735	\$ 648,735	\$ -	\$ 4,134,704	15.69%
2016	712,656	712,656	-	3,778,664	18.86%
2015	684,883	684,883	-	3,631,405	18.86%
Component Unit School Board (nonprofessional)					
2017	\$ 70,286	\$ 70,286	\$ -	\$ 1,029,078	6.83%
2016	105,194	105,194	-	1,055,105	9.97%
2015	122,393	292,271	(169,878)	1,232,649	23.71%
2014	130,057	130,057	-	1,271,330	10.23%
2013	123,968	123,968	-	1,211,812	10.23%
2012	89,421	89,421	-	1,192,283	7.50%
2011	90,260	90,260	-	1,203,460	7.50%
2010	96,561	96,561	-	1,244,348	7.76%
2009	99,578	99,578	-	1,283,224	7.76%
2008	93,457	93,457	-	1,216,885	7.68%
Component Unit School Board (professional)					
2017	\$ 1,295,037	\$ 1,295,037	\$ -	\$ 8,906,833	14.54%
2016	1,171,227	1,171,227	-	8,373,995	13.99%
2015	1,368,732	1,368,732	-	9,484,994	14.43%
2014	1,089,284	1,089,284	-	9,342,058	11.66%
2013	1,049,617	1,049,617	-	9,001,861	11.66%
2012	574,205	574,205	-	9,071,165	6.33%
2011	355,747	355,747	-	9,052,083	3.93%
2010	848,995	848,995	-	9,636,720	8.81%
2009	897,826	897,826	-	10,190,988	8.81%
2008	1,015,538	1,015,538	-	9,859,592	10.30%

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

Schedule is intended to show information for 10 years. Prior to 2015 the County's contributions included the ASAP program which are not included in the County's liability. Therefore, no additional data is currently available for the County. Additional years will be included as they become available.

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

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

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

Largest 10 - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

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

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Component Unit School Board - Professional Employees

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

County of Grayson, Virginia
 Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
 Grayson County Supplemental Retirement Program (ERIP)
 For the Year Ended June 30, 2017

	2017
Total pension liability	
Service cost	7,700
Interest	18,400
Differences between expected and actual experience	-
Benefit payments, including refunds of employee contributions	(7,600)
Net change in total pension liability	18,500
Total pension liability - beginning	303,200
Total pension liability - ending (a)	321,700
Plan fiduciary net position	
Contributions - employer	-
Contributions - employee	-
Net investment income	(1,100)
Benefit payments, including refunds of employee contributions	(7,600)
Administrative expense	-
Other	-
Net change in plan fiduciary net position	(8,700)
Plan fiduciary net position - beginning	68,900
Plan fiduciary net position - ending (b)	60,200
County's net pension liability - ending (a) - (b)	261,500
Plan fiduciary net position as a percentage of the total pension liability	18.71%
Covered payroll	469,800
County's net pension liability as a percentage of covered payroll	55.66%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

Other Supplementary Information

County of Grayson, Virginia
Combining Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

	Agency Funds			<u>Total</u>
	<u>Special Welfare</u>	<u>ASAP</u>	<u>Regional Library</u>	
ASSETS				
Cash and cash equivalents	\$ 6,848	\$ 65,366	\$ 166,635	\$ 238,849
Investments	-	174,134	-	174,134
Total assets	<u>\$ 6,848</u>	<u>\$ 239,500</u>	<u>\$ 166,635</u>	<u>\$ 412,983</u>
LIABILITIES				
Amounts held for social services clients	\$ 6,848	\$ -	\$ -	\$ 6,848
Amounts held for Mt. Rogers Alcohol Safety Action Program	-	239,500	-	239,500
Amounts held for Grayson Regional Library	-	-	166,635	166,635
Total liabilities	<u>\$ 6,848</u>	<u>\$ 239,500</u>	<u>\$ 166,635</u>	<u>\$ 412,983</u>

County of Grayson, Virginia
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2017

	Agency Funds			Balance June 30, 2017
	Balance July 1, 2016	Additions	Deductions	
ASSETS				
Cash and cash equivalents:				
Special Welfare Fund	7,034	\$ 28,125	\$ (28,311)	\$ 6,848
Building Code Fund	820	1,329	(2,149)	-
ASAP	131,622	240,113	(306,369)	65,366
Regional Library	136,262	700,946	(670,573)	166,635
Investments:				
ASAP	172,828	1,306	-	174,134
Total assets	<u>448,566</u>	<u>971,819</u>	<u>(1,007,402)</u>	<u>412,983</u>
LIABILITIES				
Amounts held for others:				
Social services clients	\$ 7,034	\$ 28,125	\$ (28,311)	\$ 6,848
Subsequent remittance to State for surcharge	820	1,329	(2,149)	-
Mt. Rogers Alcohol Safety Action Program	304,450	241,419	(306,369)	239,500
Grayson Regional Library	136,262	700,946	(670,573)	166,635
Total liabilities	<u>448,566</u>	<u>971,819</u>	<u>(1,007,402)</u>	<u>412,983</u>

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

		School Operating Fund
ASSETS		
Cash and cash equivalents	\$	1,026,738
Due from other governmental units		669,727
Prepaid items		108,891
Total assets		<u>\$ 1,805,356</u>
LIABILITIES		
Accounts payable	\$	170,490
Accrued salaries		781,233
Due to primary government		329,328
Total liabilities		<u>\$ 1,281,051</u>
FUND BALANCES		
Nonspendable:		
Prepaid items	\$	108,891
Committed:		
Cafeteria		4,588
Unassigned		410,826
Total fund balances		<u>\$ 524,305</u>
Total liabilities and fund balances		<u>\$ 1,805,356</u>
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:		
Total fund balances per above	\$	524,305
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Land	\$	144,690
Buildings and improvements		2,181,810
Machinery and equipment		839,324
Construction in progress		281,322
		<u>3,447,146</u>
Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds.		
		1,365,323
Items related to measurement of the net pension liability are considered to be deferred and will be amortized and recognized in pension expense over future years.		
Deferred outflows of resources	\$	1,030,257
Deferred inflows of resources		<u>(2,554,232)</u>
		(1,523,975)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
Compensated absences	\$	(136,617)
Net OPEB obligation		(509,500)
ERIP liability		(158,804)
Net pension liability		<u>(15,969,539)</u>
		(16,774,460)
Net position of governmental activities		<u>\$ (12,961,661)</u>

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, 2017

		School Operating Fund
REVENUES		
Revenue from the use of money and property	\$	2,714
Charges for services		232,113
Miscellaneous		101,276
Recovered costs		590,934
Intergovernmental:		
Local government		5,647,035
Commonwealth		11,398,154
Federal		2,564,787
Total revenues	\$	<u>20,537,013</u>
EXPENDITURES		
Current:		
Education	\$	19,962,215
Total expenditures	\$	<u>19,962,215</u>
Excess (deficiency) of revenues over (under) expenditures	\$	<u>574,798</u>
Net change in fund balances	\$	574,798
Fund balances - beginning		(50,493)
Fund balances - ending	\$	<u><u>524,305</u></u>
Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:		
Net change in fund balances - total governmental funds - per above	\$	574,798
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.		
Capital outlay	\$	656,363
Depreciation expense		<u>(477,172)</u>
		179,191
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.		(249,083)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in deferred inflows related to the measurement of the net pension liability		(1,152,715)
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.		
Change in compensated absences	\$	(44,360)
Change in net OPEB obligation		(5,400)
Change in ERIP liability		43,955
Change in net pension liability		474,650
Change in deferred outflows of resources related to pensions		<u>1,103,159</u>
Change in net position of governmental activities	\$	<u><u>924,195</u></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, 2017

	School Operating Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 600	\$ 600	\$ 2,714	\$ 2,114
Charges for services	283,000	283,000	232,113	(50,887)
Miscellaneous	98,125	98,125	101,276	3,151
Recovered costs	451,303	610,330	590,934	(19,396)
Intergovernmental:				
Local government	5,810,473	5,810,473	5,647,035	(163,438)
Commonwealth	11,158,000	11,457,765	11,398,154	(59,611)
Federal	2,417,848	2,467,431	2,564,787	97,356
Total revenues	<u>\$ 20,219,349</u>	<u>\$ 20,727,724</u>	<u>\$ 20,537,013</u>	<u>\$ (190,711)</u>
EXPENDITURES				
Current:				
Education	\$ 20,219,349	\$ 20,727,724	\$ 19,962,215	\$ 765,509
Total expenditures	<u>\$ 20,219,349</u>	<u>\$ 20,727,724</u>	<u>\$ 19,962,215</u>	<u>\$ 765,509</u>
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 574,798	\$ 574,798
Net change in fund balances	\$ -	\$ -	\$ 574,798	\$ 574,798
Fund balances - beginning	-	-	(50,493)	(50,493)
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 524,305</u>	<u>\$ 524,305</u>

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

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 7,868,000	\$ 7,868,000	\$ 8,123,055	\$ 255,055
Real and personal public service corporation taxes	195,000	195,000	240,690	45,690
Personal property taxes	1,270,000	1,270,000	1,358,223	88,223
Mobile home taxes	21,000	21,000	20,615	(385)
Machinery and tools taxes	175,000	175,000	201,140	26,140
Merchant's capital	45,000	45,000	27,469	(17,531)
Penalties	80,000	80,000	83,179	3,179
Interest	125,000	125,000	137,141	12,141
Total general property taxes	<u>\$ 9,779,000</u>	<u>\$ 9,779,000</u>	<u>\$ 10,191,512</u>	<u>\$ 412,512</u>
Other local taxes:				
Local sales and use taxes	\$ 390,000	\$ 390,000	\$ 450,875	\$ 60,875
Consumers' utility taxes	335,000	335,000	340,819	5,819
Consumption taxes	30,000	30,000	34,402	4,402
Motor vehicle licenses	279,000	279,000	269,472	(9,528)
Recordation taxes	88,500	88,500	116,308	27,808
Hotel and motel room taxes	25,000	25,000	27,510	2,510
Bank stock tax	11,725	11,725	12,456	731
Total other local taxes	<u>\$ 1,159,225</u>	<u>\$ 1,159,225</u>	<u>\$ 1,251,842</u>	<u>\$ 92,617</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 6,500	\$ 6,500	\$ 7,346	\$ 846
Zoning permits	1,800	1,800	375	(1,425)
Transfer fees	1,000	1,000	777	(223)
Erosion control	2,000	2,000	1,374	(626)
Building permits	45,000	45,000	66,880	21,880
Other permits	1,000	1,000	1,858	858
Total permits, privilege fees, and regulatory licenses	<u>\$ 57,300</u>	<u>\$ 57,300</u>	<u>\$ 78,610</u>	<u>\$ 21,310</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 15,200	\$ 15,200	\$ 19,792	\$ 4,592
Revenue from use of money and property:				
Revenue from use of money	\$ 40,000	\$ 40,000	\$ 59,605	\$ 19,605
Revenue from use of property	2,100	2,100	6,500	4,400
Total revenue from use of money and property	<u>\$ 42,100</u>	<u>\$ 42,100</u>	<u>\$ 66,105</u>	<u>\$ 24,005</u>
Charges for services:				
Charges for trash fees	\$ 1,160,000	\$ 1,160,000	\$ 1,146,852	\$ (13,148)
Charges for sanitation and waste removal	296,400	296,400	339,548	43,148
Charges for recycling	52,000	107,000	91,261	(15,739)
Charges for parks and recreation	65,000	65,000	55,692	(9,308)
Charges for courtroom security	-	-	13,082	13,082
Charges for Commonwealth's Attorney	2,000	2,000	2,844	844
Charges for courthouse maintenance	-	-	3,166	3,166
Charges for administration	8,250	8,250	17,647	9,397
Charges for law enforcement	30,600	30,600	30,710	110
Total charges for services	<u>\$ 1,614,250</u>	<u>\$ 1,669,250</u>	<u>\$ 1,700,802</u>	<u>\$ 31,552</u>

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

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous:				
Other miscellaneous	\$ 305,397	\$ 406,769	\$ 214,601	\$ (192,168)
Recovered costs:				
City of Galax	\$ 314,000	\$ 314,000	\$ 276,371	\$ (37,629)
School resource officer	36,000	36,000	36,000	-
Department of Social Services	50,000	50,000	33,786	(16,214)
Other recovered costs	90,000	90,000	77,991	(12,009)
Total recovered costs	<u>\$ 490,000</u>	<u>\$ 490,000</u>	<u>\$ 424,148</u>	<u>\$ (65,852)</u>
Total revenue from local sources	<u>\$ 13,462,472</u>	<u>\$ 13,618,844</u>	<u>\$ 13,947,412</u>	<u>\$ 328,568</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle rolling stock tax	\$ 100	\$ 100	\$ -	\$ (100)
Mobile home titling tax	6,000	6,000	8,365	2,365
Motor vehicle rental tax	-	-	71	71
Recordation tax	14,500	14,500	25,818	11,318
Communication tax	315,000	315,000	359,270	44,270
Personal property tax relief funds	430,000	430,000	437,787	7,787
Total noncategorical aid	<u>\$ 765,600</u>	<u>\$ 765,600</u>	<u>\$ 831,311</u>	<u>\$ 65,711</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 303,640	\$ 303,640	\$ 286,157	\$ (17,483)
Sheriff	999,232	999,232	965,662	(33,570)
Commissioner of revenue	85,423	85,423	83,409	(2,014)
Treasurer	91,521	91,521	88,846	(2,675)
Registrar/electoral board	37,000	37,000	37,029	29
Clerk of the Circuit Court	243,756	243,756	226,108	(17,648)
Total shared expenses	<u>\$ 1,760,572</u>	<u>\$ 1,760,572</u>	<u>\$ 1,687,211</u>	<u>\$ (73,361)</u>
Other categorical aid:				
Public assistance and welfare administration	\$ 571,244	\$ 571,244	\$ 675,530	\$ 104,286
Children's services act	551,711	551,711	422,428	(129,283)
VJCCA	75,931	75,931	76,628	697
Fire programs	35,000	35,000	44,131	9,131
Victim witness	17,275	17,275	17,275	-
Law enforcement grants	102,500	148,249	79,349	(68,900)
Litter grant	6,000	6,000	7,192	1,192
Asset forfeiture	-	-	48,438	48,438
Emergency preparedness	22,500	22,500	29,872	7,372
Other state funds	2,000	2,000	-	(2,000)
Total other categorical aid	<u>\$ 1,384,161</u>	<u>\$ 1,429,910</u>	<u>\$ 1,400,843</u>	<u>\$ (29,067)</u>
Total categorical aid	<u>\$ 3,144,733</u>	<u>\$ 3,190,482</u>	<u>\$ 3,088,054</u>	<u>\$ (102,428)</u>
Total revenue from the Commonwealth	<u>\$ 3,910,333</u>	<u>\$ 3,956,082</u>	<u>\$ 3,919,365</u>	<u>\$ (36,717)</u>

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

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of taxes	\$ 16,000	\$ 16,000	\$ 40,439	\$ 24,439
Categorical aid:				
Public assistance and welfare administration	\$ 1,080,000	\$ 1,080,000	\$ 1,078,156	\$ (1,844)
Byrne justice assistance grant	-	-	8,577	8,577
Law enforcement grants	-	-	11,855	11,855
Children's services act	659	659	659	-
Community development block grant	350,000	853,107	384,948	(468,159)
Greenway improvement grants	135,000	458,974	546,562	87,588
Victim witness	51,824	51,824	51,824	-
Total categorical aid	\$ 1,617,483	\$ 2,444,564	\$ 2,082,581	\$ (361,983)
Total revenue from the federal government	\$ 1,633,483	\$ 2,460,564	\$ 2,123,020	\$ (337,544)
Total General Fund	\$ 19,006,288	\$ 20,035,490	\$ 19,989,797	\$ (45,693)
Special Revenue Fund:				
Economic Development Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 3,071	\$ 3,071
Revenue from the use of property	-	-	36,125	36,125
Total revenue from use of money and property	\$ -	\$ -	\$ 39,196	\$ 39,196
Recovered costs:				
Economic development recovered costs	\$ -	\$ -	\$ 16,311	\$ 16,311
Total revenue from local sources	\$ -	\$ -	\$ 55,507	\$ 55,507
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Tobacco commission grant	\$ -	\$ -	\$ 50,000	\$ 50,000
Total revenue from the Commonwealth	\$ -	\$ -	\$ 50,000	\$ 50,000
Total Economic Development Fund	\$ -	\$ -	\$ 105,507	\$ 105,507
Total Primary Government	\$ 19,006,288	\$ 20,035,490	\$ 20,095,304	\$ 59,814
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	\$ 600	\$ 600	\$ 2,714	\$ 2,114
Charges for services:				
Cafeteria sales	\$ 283,000	\$ 283,000	\$ 232,113	\$ (50,887)
Miscellaneous:				
Other miscellaneous	\$ 98,125	\$ 98,125	\$ 101,276	\$ 3,151

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

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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Revenue from local sources: (Continued)				
Recovered costs:				
Dual credit recovered costs	\$ 228,750	\$ 228,750	\$ 201,281	\$ (27,469)
E-rate recovered costs	160,000	160,000	146,935	(13,065)
Other recovered costs	62,553	221,580	242,718	21,138
Total recovered costs	<u>\$ 451,303</u>	<u>\$ 610,330</u>	<u>\$ 590,934</u>	<u>\$ (19,396)</u>
Total revenue from local sources	<u>\$ 833,028</u>	<u>\$ 992,055</u>	<u>\$ 927,037</u>	<u>\$ (65,018)</u>
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Grayson, Virginia	<u>\$ 5,810,473</u>	<u>\$ 5,810,473</u>	<u>\$ 5,647,035</u>	<u>\$ (163,438)</u>
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 2,282,715	\$ 2,282,715	\$ 2,209,786	\$ (72,929)
Basic school aid	5,118,575	5,118,575	5,183,860	65,285
Remedial summer education	44,391	44,391	100,797	56,406
Foster care	7,416	7,416	468	(6,948)
ISAFP	7,859	7,859	8,418	559
Gifted and talented	49,896	49,896	50,094	198
Remedial education	251,560	251,560	252,557	997
Jobs for VA graduates	-	-	25,000	25,000
Special education	623,703	623,703	626,173	2,470
Textbook payment	114,117	114,117	169,422	55,305
School nutrition	12,861	12,861	12,638	(223)
Vocational standards of quality payments	290,985	290,985	259,862	(31,123)
Vocational education equipment	-	-	9,451	9,451
Social security fringe benefits	336,800	336,800	338,134	1,334
Retirement fringe benefits	693,350	693,350	696,096	2,746
Group life insurance fringe benefit	22,869	22,869	22,960	91
Early reading intervention	32,629	32,629	43,506	10,877
Special education - Homebound	12,147	12,147	24,506	12,359
Special education - tuition	142,148	142,148	130,137	(12,011)
Vocational occupational preparedness	-	-	20,738	20,738
At risk payments	303,465	303,465	304,576	1,111
At risk four year olds	150,978	150,978	150,978	-
Primary class size	196,644	196,644	197,575	931
Technology	232,000	232,000	232,000	-
Industry certification cost	-	-	3,017	3,017
English as a second language	13,787	13,787	13,787	-
Standards of Learning algebra readiness	31,280	31,280	26,930	(4,350)
National board certified teacher	-	-	7,500	7,500
School security grant	-	66,464	66,464	-
Positive behavior grant	-	17,176	17,196	20
Enrollment loss	184,921	184,921	184,921	-
Mentor teacher program	904	904	1,264	360
Other categorical aid	-	216,125	7,343	(208,782)
Total categorical aid	<u>\$ 11,158,000</u>	<u>\$ 11,457,765</u>	<u>\$ 11,398,154</u>	<u>\$ (59,611)</u>
Total revenue from the Commonwealth	<u>\$ 11,158,000</u>	<u>\$ 11,457,765</u>	<u>\$ 11,398,154</u>	<u>\$ (59,611)</u>

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

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government:				
Categorical aid:				
Forest reserve fund	\$ -	\$ 49,583	\$ 4,741	\$ (44,842)
Title I	605,933	605,933	636,142	30,209
Title VI-B, special education flow-through	674,358	674,358	631,599	(42,759)
Title VI-B, special education pre-school	-	-	22,064	22,064
Language acquisition	2,534	2,534	-	(2,534)
21st century learning grants	200,000	200,000	213,578	13,578
Migrant education	3,617	3,617	-	(3,617)
School food programs	750,701	750,701	860,054	109,353
Supporting effective instruction	105,331	105,331	119,591	14,260
Perkins vocational education	41,032	41,032	37,707	(3,325)
Title VI, rural and low income school administration	34,342	34,342	39,311	4,969
Total categorical aid	<u>\$ 2,417,848</u>	<u>\$ 2,467,431</u>	<u>\$ 2,564,787</u>	<u>\$ 97,356</u>
 Total revenue from the federal government	 <u>\$ 2,417,848</u>	 <u>\$ 2,467,431</u>	 <u>\$ 2,564,787</u>	 <u>\$ 97,356</u>
 Total School Operating Fund	 <u>\$ 20,219,349</u>	 <u>\$ 20,727,724</u>	 <u>\$ 20,537,013</u>	 <u>\$ (190,711)</u>
 Total Discretely Presented Component Unit - School Board	 <u>\$ 20,219,349</u>	 <u>\$ 20,727,724</u>	 <u>\$ 20,537,013</u>	 <u>\$ (190,711)</u>

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

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<u>Fund, Function, Activity, and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 60,456	\$ 60,054	\$ 56,941	\$ 3,113
General and financial administration:				
County administrator	\$ 477,719	\$ 429,754	\$ 426,213	\$ 3,541
Audit services	80,000	78,800	77,840	960
Legal services	45,000	45,000	14,442	30,558
Commissioner of revenue	270,314	245,729	250,361	(4,632)
Reassessment	2,500	2,500	387	2,113
Treasurer	342,452	323,645	336,964	(13,319)
Information technology	163,754	154,754	152,674	2,080
Other general and financial administration	28,000	11,200	15,157	(3,957)
Total general and financial administration	<u>\$ 1,409,739</u>	<u>\$ 1,291,382</u>	<u>\$ 1,274,038</u>	<u>\$ 17,344</u>
Board of elections:				
Electoral board and officials	\$ 53,678	\$ 53,678	\$ 51,496	\$ 2,182
Registrar	86,317	86,317	84,916	1,401
Total board of elections	<u>\$ 139,995</u>	<u>\$ 139,995</u>	<u>\$ 136,412</u>	<u>\$ 3,583</u>
Total general government administration	<u>\$ 1,610,190</u>	<u>\$ 1,491,431</u>	<u>\$ 1,467,391</u>	<u>\$ 24,040</u>
Judicial administration:				
Courts:				
Circuit court	\$ 25,322	\$ 25,322	\$ 18,622	\$ 6,700
General district court	7,484	8,384	5,640	2,744
Special magistrates	1,150	1,184	1,184	-
VJCCA	86,368	88,208	86,026	2,182
Courtroom security	-	-	39,451	(39,451)
Law library	-	-	313	(313)
Victim witness	69,099	69,101	68,909	192
Clerk of the circuit court	390,497	338,264	337,836	428
Total courts	<u>\$ 579,920</u>	<u>\$ 530,463</u>	<u>\$ 557,981</u>	<u>\$ (27,518)</u>
Commonwealth's attorney:				
Commonwealth's attorney	\$ 405,343	\$ 403,840	\$ 385,635	\$ 18,205
Total judicial administration	<u>\$ 985,263</u>	<u>\$ 934,303</u>	<u>\$ 943,616</u>	<u>\$ (9,313)</u>
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 2,224,504	\$ 2,351,066	\$ 2,384,746	\$ (33,680)
Fire and rescue services:				
Volunteer fire department	\$ 174,250	\$ 228,570	\$ 227,369	\$ 1,201
Ambulance and rescue services	225,350	219,030	253,673	(34,643)
Twin County E911	187,120	187,120	187,120	-
Total fire and rescue services	<u>\$ 586,720</u>	<u>\$ 634,720</u>	<u>\$ 668,162</u>	<u>\$ (33,442)</u>

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

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<u>Fund, Function, Activity, and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public safety: (Continued)				
Correction and detention:				
New River Valley Regional Jail payments	\$ 695,000	\$ 876,681	\$ 889,892	\$ (13,211)
New River Valley Juvenile Detention Center payments	32,800	54,300	61,650	(7,350)
Total correction and detention	<u>\$ 727,800</u>	<u>\$ 930,981</u>	<u>\$ 951,542</u>	<u>\$ (20,561)</u>
Inspections:				
Building	\$ 139,478	\$ 138,113	\$ 136,770	\$ 1,343
Other protection:				
Animal warden	\$ 102,201	\$ 89,201	\$ 91,573	\$ (2,372)
Day report	61,873	54,979	49,150	5,829
Medical examiner	5,500	26,195	34,597	(8,402)
Emergency services	10,000	10,000	3,717	6,283
Total other protection	<u>\$ 179,574</u>	<u>\$ 180,375</u>	<u>\$ 179,037</u>	<u>\$ 1,338</u>
Total public safety	<u>\$ 3,858,076</u>	<u>\$ 4,235,255</u>	<u>\$ 4,320,257</u>	<u>\$ (85,002)</u>
Public works:				
Sanitation and waste removal:				
Refuse collection	\$ 906,220	\$ 916,027	\$ 894,843	\$ 21,184
Refuse disposal	308,500	364,100	364,944	(844)
Recycling program	121,454	121,762	101,365	20,397
Total sanitation and waste removal	<u>\$ 1,336,174</u>	<u>\$ 1,401,889</u>	<u>\$ 1,361,152</u>	<u>\$ 40,737</u>
Maintenance of general buildings and grounds:				
General properties	\$ 189,766	\$ 181,575	\$ 149,445	\$ 32,130
Public works	40,055	36,817	35,077	1,740
Jail building	21,300	22,412	20,609	1,803
Courthouse	139,848	134,425	112,245	22,180
Health center	3,050	3,050	2,454	596
Ag. Ed.	19,350	8,960	5,475	3,485
Total maintenance of general buildings and grounds	<u>\$ 413,369</u>	<u>\$ 387,239</u>	<u>\$ 325,305</u>	<u>\$ 61,934</u>
Total public works	<u>\$ 1,749,543</u>	<u>\$ 1,789,128</u>	<u>\$ 1,686,457</u>	<u>\$ 102,671</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 173,387	\$ 216,734	\$ 173,387	\$ 43,347
Mental health and mental retardation:				
Mt. Rogers Community Services Board	\$ 40,000	\$ 40,000	\$ 40,000	\$ -
Welfare:				
Welfare administration and programs	\$ 1,995,543	\$ 1,995,543	\$ 1,972,920	\$ 22,623
Children's services act	700,000	700,000	616,351	83,649
Area office on aging	14,027	14,027	11,441	2,586
Total welfare	<u>\$ 2,709,570</u>	<u>\$ 2,709,570</u>	<u>\$ 2,600,712</u>	<u>\$ 108,858</u>
Total health and welfare	<u>\$ 2,922,957</u>	<u>\$ 2,966,304</u>	<u>\$ 2,814,099</u>	<u>\$ 152,205</u>

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

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<u>Fund, Function, Activity, and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Education:				
Other instructional costs:				
Contribution to Community College	\$ 18,171	\$ 18,171	\$ 18,171	\$ -
Contribution to County School Board	5,810,473	5,810,473	5,647,035	163,438
Total education	<u>\$ 5,828,644</u>	<u>\$ 5,828,644</u>	<u>\$ 5,665,206</u>	<u>\$ 163,438</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Recreation	\$ 230,186	\$ 223,529	\$ 192,329	\$ 31,200
Library:				
Contribution to regional library	\$ 257,336	\$ 257,336	\$ 257,336	\$ -
Total parks, recreation, and cultural	<u>\$ 487,522</u>	<u>\$ 480,865</u>	<u>\$ 449,665</u>	<u>\$ 31,200</u>
Community development:				
Planning and community development:				
Planning commission	\$ 18,304	\$ 18,304	\$ 6,278	\$ 12,026
Tourism development	35,016	36,492	33,699	2,793
Twin county airport	53,560	53,560	43,560	10,000
Multi-flora rose	500	503	502	1
Economic development	619,955	1,144,413	663,875	480,538
Other community development	68,183	76,183	72,512	3,671
Total planning and community development	<u>\$ 795,518</u>	<u>\$ 1,329,455</u>	<u>\$ 820,426</u>	<u>\$ 509,029</u>
Environmental management:				
Contribution to soil and water district	\$ 5,000	\$ 5,000	\$ 3,000	\$ 2,000
Storm water maintenance	3,550	3,550	3,340	210
Total environmental management	<u>\$ 8,550</u>	<u>\$ 8,550</u>	<u>\$ 6,340</u>	<u>\$ 2,210</u>
Cooperative extension program:				
Extension office	\$ 67,728	\$ 68,887	\$ 55,352	\$ 13,535
Total community development	<u>\$ 871,796</u>	<u>\$ 1,406,892</u>	<u>\$ 882,118</u>	<u>\$ 524,774</u>
Capital projects:				
Recreational trails	\$ -	\$ 232,363	\$ 631,508	\$ (399,145)
School internet refresh capital lease	-	-	332,565	(332,565)
Other capital projects	135,000	226,611	256,157	(29,546)
Total capital projects	<u>\$ 135,000</u>	<u>\$ 458,974</u>	<u>\$ 1,220,230</u>	<u>\$ (761,256)</u>
Debt service:				
Principal retirement	\$ 627,665	\$ 627,665	\$ 655,868	\$ (28,203)
Interest and other fiscal charges	673,538	673,538	688,082	(14,544)
Total debt service	<u>\$ 1,301,203</u>	<u>\$ 1,301,203</u>	<u>\$ 1,343,950</u>	<u>\$ (42,747)</u>
Total General Fund	<u>\$ 19,750,194</u>	<u>\$ 20,892,999</u>	<u>\$ 20,792,989</u>	<u>\$ 100,010</u>

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

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<u>Fund, Function, Activity, and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Special Revenue Fund:				
Economic Development Fund				
Community Development:				
Economic development	\$ -	\$ -	\$ 164,959	\$ (164,959)
Total community development	\$ -	\$ -	\$ 164,959	\$ (164,959)
Total Economic Development Fund	\$ -	\$ -	\$ 164,959	\$ (164,959)
Total Primary Government	\$ 19,750,194	\$ 20,892,999	\$ 20,957,948	\$ (64,949)
Discretely Presented Component Unit - School Board				
School Operating Fund:				
Education:				
Administration of schools:				
Administration, attendance and health	\$ 1,105,269	\$ 1,105,269	\$ 805,317	\$ 299,952
Instructional costs:				
Classroom instruction	\$ 13,335,558	\$ 13,393,721	\$ 13,403,511	\$ (9,790)
Operating costs:				
School cafeteria operations	\$ 1,017,723	\$ 1,017,723	\$ 1,065,215	\$ (47,492)
Pupil transportation	1,652,949	1,702,532	1,342,101	360,431
Operation and maintenance of school plant	2,177,355	2,396,983	2,525,091	(128,108)
Technology	930,495	1,111,496	820,980	290,516
Total operating costs	\$ 5,778,522	\$ 6,228,734	\$ 5,753,387	\$ 475,347
Total Education	\$ 20,219,349	\$ 20,727,724	\$ 19,962,215	\$ 765,509
Total Discretely Presented Component Unit - School Board	\$ 20,219,349	\$ 20,727,724	\$ 19,962,215	\$ 765,509

Other Statistical Information

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	Public Service Authority	Total
2016-17	\$ 1,347,040	\$ 988,337	\$ 4,130,658	\$ 1,833,305	\$ 2,757,910	\$ 6,166,623	\$ 479,298	\$ 1,168,881	\$ 487,320	\$ 313,773	\$ 19,673,145
2015-16	1,221,223	738,367	3,756,030	1,684,005	2,568,994	5,768,172	566,508	841,802	484,527	251,679	17,881,307
2014-15	1,427,523	834,684	3,434,969	1,826,856	2,866,899	6,361,306	446,006	2,989,423	602,957	242,411	21,033,034
2013-14	1,162,628	852,464	3,402,712	1,725,831	2,827,869	5,668,170	441,542	757,907	612,569	256,916	17,708,608
2012-13	979,020	791,486	3,265,425	1,297,578	2,563,894	4,980,545	471,473	764,628	641,036	278,561	16,033,646
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	250,913	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

Table 2

County of Grayson, Virginia
Government-wide Revenues
Last Ten Fiscal Years

Fiscal Year	PROGRAM REVENUES				GENERAL REVENUES						Total
	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		
2016-17	\$ 2,010,029	\$ 4,674,073	\$ 550,267	\$	\$ 10,051,720	\$ 1,251,842	\$ 105,301	\$ 276,787	\$ 871,750	\$ 19,791,769	
2015-16	1,892,199	4,075,141	519,113		10,051,393	1,237,656	54,782	128,790	871,626	18,830,700	
2014-15	1,873,127	6,416,998	117,736		9,952,630	1,216,759	13,685	199,924	833,385	20,624,244	
2013-14	1,839,717	4,226,419	295,086		9,860,779	1,176,665	15,948	159,300	887,267	18,461,181	
2012-13	1,917,268	2,853,619	-		9,882,433	1,168,873	55,428	172,230	890,996	16,940,847	
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	546,562		6,181,765	1,716,432	320,763	120,632	590,274	13,802,361	

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education (2)	Parks, Recreation, and Cultural	Community Development	Debt Service	Total
2016-17	\$ 1,467,391	\$ 943,616	\$ 4,320,257	\$ 1,686,457	\$ 2,814,099	\$ 19,980,386	\$ 449,665	\$ 1,047,077	\$ 1,343,950	\$ 34,052,898
2015-16	1,570,382	863,080	4,008,618	1,669,383	2,671,830	18,834,455	437,924	772,224	1,279,515	32,107,411
2014-15	1,674,343	824,504	3,599,711	1,800,178	2,997,266	21,203,761	437,609	2,954,436	1,516,865	37,008,673
2013-14	1,334,380	846,279	3,625,690	1,689,509	2,900,826	21,562,711	440,943	770,461	625,865	33,796,664
2012-13	1,222,809	786,241	3,240,572	1,497,117	2,569,675	22,071,949	462,165	700,556	18,773,245	51,324,329
2011-12	1,217,199	763,200	3,230,783	1,403,871	2,578,416	20,668,911	432,114	669,680	19,077,039	50,041,213
2010-11	1,293,198	781,229	2,897,363	2,123,915	2,367,933	22,516,521	494,889	657,763	2,438,853	35,571,664
2009-10	1,394,457	736,291	3,044,741	1,358,343	2,484,195	21,473,545	480,181	1,169,713	2,712,923	34,854,389
2008-09	1,262,259	701,381	2,869,603	1,295,219	2,589,793	23,094,232	448,798	916,625	1,988,292	35,166,202
2007-08	993,506	686,829	2,487,696	1,393,860	2,449,335	21,234,923	452,820	608,193	619,217	30,926,379

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

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

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
2016-17	\$ 10,191,512	\$ 1,251,842	\$ 78,610	\$ 19,792	\$ 108,015	\$ 1,932,915	\$ 315,877	\$ 1,031,393	\$ 20,055,326	\$ 34,985,282
2015-16	10,066,617	1,237,656	73,401	13,803	55,263	1,825,435	226,586	937,777	17,881,553	32,318,091
2014-15	9,742,742	1,216,759	76,772	20,858	13,712	1,855,831	328,596	1,078,855	21,666,780	36,000,905
2013-14	9,911,906	1,176,665	87,650	20,089	15,739	1,795,200	624,288	962,323	20,508,525	35,102,385
2012-13	9,677,846	1,168,873	84,070	27,735	54,947	1,972,939	814,140	309,270	21,335,715	35,445,535
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

(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
2016-17	\$ 9,924,601	\$ 9,312,581	93.83%	\$ 658,611	9,971,192	100.47%	\$ 1,323,643	13.34%
2015-16	9,826,512	9,146,131	93.08%	650,180	9,796,311	99.69%	1,344,578	13.68%
2014-15	9,748,700	9,128,324	93.64%	477,081	9,605,405	98.53%	1,438,969	14.76%
2013-14	9,758,039	9,058,301	92.83%	507,328	9,565,629	98.03%	1,318,247	13.51%
2012-13	9,765,219	9,065,028	92.83%	411,738	9,476,766	97.05%	1,263,967	12.94%
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%

(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	Real Estate	Personal Property	
2016-17	\$ 1,661,250,900	\$ 113,102,005	\$ 458,676	\$ 11,169,205	\$ 49,120,441	\$ -	\$ 1,835,101,227	
2015-16	1,677,434,500	100,886,499	658,664	9,507,998	53,443,671	-	1,841,931,332	
2014-15	1,675,444,500	99,452,456	634,712	8,222,871	46,905,446	-	1,830,659,985	
2013-14	1,669,670,500	95,817,181	658,976	8,774,792	41,073,315	-	1,815,994,764	
2012-13	1,665,125,300	97,851,316	646,211	7,123,835	42,014,145	49,425	1,812,810,232	
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	

(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
2016-17	\$ 0.49	\$ 1.75	\$ 1.75	\$ 6.70
2015-16	0.49	1.75	1.75	6.70
2014-15	0.49	1.75	1.75	6.70
2013-14	0.49	1.75	1.75	6.70
2012-13	0.49	1.75	1.75	6.70
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

(1) Per \$100 of assessed value.

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
2016-17	15,533	\$ 1,835,101	\$ 14,864,703	\$ 14,864,703	0.81%	\$ 957
2015-16	15,533	1,841,931	15,478,753	15,478,753	0.84%	997
2014-15	15,533	1,830,660	16,072,090	16,072,090	0.88%	1,035
2013-14	15,533	1,815,995	16,894,524	16,894,524	0.93%	1,088
2012-13	15,533	1,812,810	16,974,620	16,974,620	0.94%	1,093
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

(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.

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
2016-17	655,868	688,082	1,343,950	34,052,898	3.95%
2015-16	595,860	683,655	1,279,515	32,107,411	3.99%
2014-15	822,434	694,431	1,516,865	37,008,673	4.10%
2013-14	112,865	513,000	625,865	33,796,664	1.85%
2012-13 (3)	18,009,866	763,379	18,773,245	51,324,329	36.58%
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%

(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.

(3) Includes pay off of \$17,900,000 Lease revenue note with proceeds of general obligation bonds.

COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit-School Board, each major fund, and the aggregate remaining fund information of the County of Grayson, Virginia, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County of Grayson, Virginia's basic financial statements, and have issued our report thereon dated March 2, 2018.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness [2017-001].

Compliance and Other Matters

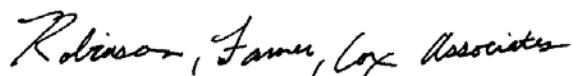
As part of obtaining reasonable assurance about whether County of Grayson, Virginia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct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

County of Grayson, Virginia's Response to Finding

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

Purpose of this Report

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



Blacksburg, Virginia
March 2, 2018

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

Report on Compliance for Each Major Federal Program

We have audited County of Grayson's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of County of Grayson's major federal programs for the year ended June 30, 2017. County of Grayson's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, County of Grayson, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

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

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

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

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

Robinson, James, Cox Associates

Blacksburg, Virginia

March 2, 2018

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

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number			Federal Expenditures
Department Health and Human Services:					
Pass Through Payments:					
<i>Department of Social Services:</i>					
Promoting Safe and Stable Families	93.556	0950015, 0950116			\$ 6,326
Temporary Assistance for Needy Families	93.558	0400116, 0400117			155,800
Refugee and Entrant Assistance - State Administered Programs	93.566	0500116, 0500117			577
Low-Income Home Energy Assistance	93.568	0600416, 0600417			19,393
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760116, 0760117			30,410
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900116, 0900117			297
Foster Care - Title IV-E	93.658	1100116, 1100117			127,602
Adoption Assistance	93.659	1120116, 1120117			187,427
Social Services Block Grant	93.667	1000116, 1000117			108,037
Chafee Foster Care Independence Program	93.674	9150116, 9150117			2,607
Medical Assistance Program	93.778	1200116, 1200117			239,071
Children's Health Insurance Program	93.767	0540116, 0540117			<u>7,032</u>
Total Department of Health and Human Services					<u>\$ 884,579</u>
Department of Agriculture:					
Direct Payments:					
Community Facilities Loans and Grants	10.766	N/A			<u>\$ 45,000</u>
Pass Through Payments:					
<i>Child Nutrition Cluster:</i>					
<i>Department of Agriculture:</i>					
Summer Food Service Program for Children	10.559	Not available		\$ 33,076	
Food Distribution (Note 3)	10.555	Not available	\$ 73,956		
<i>Department of Education:</i>					
National School Lunch Program	10.555	APE40254	<u>469,009</u>	542,965	
School Breakfast Program	10.553	APE40253		<u>177,604</u>	
<i>Total Child Nutrition Cluster</i>					<u>\$ 753,645</u>
<i>Department of Education:</i>					
Child Nutrition Discretionary Grants Limited Availability	10.579	APE40622			50,227
Schools and Roads - Grants to States	10.665	APE43841			4,741
<i>Department of Agriculture:</i>					
Child and Adult Care Food Program	10.558	Not available			56,182
<i>Department of Social Services:</i>					
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010116, 0010117 0040116, 0040117			<u>194,236</u>
Total Department of Agriculture					<u>\$ 1,104,031</u>
Department of Justice:					
Pass Through Payments:					
<i>Department of Criminal Justice Service:</i>					
Edward Byrne Memorial Justice Assistance Grant Program	16.738	Not available			\$ 8,577
Crime Victim Assistance	16.575	15VAGX0043			<u>51,824</u>
Total Department of Justice					<u>\$ 60,401</u>
Department of Transportation:					
Pass Through Payments:					
<i>Department of Motor Vehicles:</i>					
Alcohol Open Container Requirements	20.607	154AL-2016-56035-6235 154AL-2017-57089-6738			\$ 11,855
<i>Highway Planning and Construction Cluster</i>					
<i>Department of Transportation:</i>					
Highway Planning and Construction	20.205	EN00-038-289		\$ 476,711	
<i>Department of Conservation and Recreation:</i>					
Recreational Trails Program	20.219	VRT-291		69,851	<u>\$ 546,562</u>
Total Department of Transportation					<u>\$ 558,417</u>

County of Grayson, Virginia
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2017 (Continued)

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Education:			
Pass Through Payments:			
<i>Department of Education:</i>			
<i>Special Education Cluster:</i>			
Special Education - Preschool Grants	84.173	APE62521	\$ 22,064
Special Education - Grants to States	84.027	APE43071	<u>631,599</u>
<i>Total Special Education Cluster</i>			\$ 653,663
Title I: Grants to Local Educational Agencies	84.010	APE42901	636,142
Twenty-first Century Community Learning Centers	84.287	APE60565	213,578
Career and Technical Education - Basic Grants to States	84.048	APE61095	37,707
Rural Education	84.358	APE43481	39,311
Supporting Effective Instruction State Grant	84.367	APE61480	<u>119,591</u>
Total Department of Education			<u>\$ 1,699,992</u>
Department of Housing and Urban Development:			
Pass Through Payments:			
<i>Department of Housing and Community Development:</i>			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	HCD50790	<u>\$ 388,653</u>
Total Expenditures of Federal Awards			<u>\$ 4,696,073</u>

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, its blended component units Grayson County Public Service Authority and Grayson County Economic Development Authority, and its discretely presented component unit - School Board under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County of Grayson, Virginia, it is not intended to and does not present the financial position, changes in net position, 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 Uniform Guidance and/or 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.
- (3) The County did not elect an indirect cost rate because they only request direct costs for reimbursement.

Note 3 -- Food Donation

Nonmonetary assistance is reported in the schedule at the fair market value of commodities received and disbursed. At June 30, 2017, the County had no food commodities in inventory.

Note 4 -- Subrecipients

The County did not have any subrecipients during the fiscal year.

Note 5 -- Federal Loans

The Grayson County Economic Development Authority (blended component unit) has one outstanding loan, as of June 30, 2017, with USDA Rural Development totaling \$653,849.

Note 6 -- 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		\$ 2,123,020
Less: Payment in lieu of taxes		(40,439)
Add: Notes payable		<u>45,000</u>
Total primary government		<u>\$ 2,127,581</u>
Enterprise Fund		<u>\$ 3,705</u>
Component Unit School Board: School Operating Fund		<u>\$ 2,564,787</u>
Total expenditures of federal awards per basic financial statements		<u>\$ 4,696,073</u>

County of Grayson, Virginia

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

Section I - Summary of Auditors' Results

Financial Statements

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

Federal Awards

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

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
10.553/10.555/10.559	Child Nutrition Cluster
14.228	Community Development Block Grants/State's Program and Non-entitlement Grants in Hawaii
84.010	Title I, Grants to Local Educational Agencies
84.027/84.173	Special Education Cluster

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

County of Grayson, Virginia

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

Section II - Financial Statement Findings

2017-001

Criteria: Per auditing standards, an auditee should have sufficient expertise in the selection and application of accounting principles used in the preparation of the annual financial report. In addition, the auditee should have sufficient internal controls over the preparation of the financial statements in accordance with generally accepted accounting principles. Furthermore, reliance on the auditors to propose audit adjustments may not be a component of the auditee's internal controls.

Condition: The financial statements, as presented for audit, did not contain all necessary adjustments to comply with generally accepted accounting principles (GAAP). As such, the auditor proposed adjustments that were material to the financial statements.

Cause of Condition: The County and School Board have had numerous changes in the financial reporting processes including software, staffing, and consultants. The County's accounting software has several complications to be resolved and resulted in several significant audit adjustments. In addition, the County is not reconciling transfers periodically; therefore, adjustments were needed to reconcile at year end. The School Board had several staff changes around and subsequent to year end requiring the auditors to propose significant adjustments to the financial statements.

Effect of Condition: There is more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal controls over financial reporting.

Recommendation: The County should be reconciling transfers monthly and continue to review account structure for accuracy within the accounting software. The School Board's new staff should become more comfortable with the accounting system, reporting, and audit preparation processes.

Management's Response: The County and School Board will implement the auditor recommendations as soon as possible.

Section III - Federal Award Findings and Questioned Costs

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

Section IV - Status of Prior Audit Findings

There were no prior audit findings related to federal awards.