

COUNTY OF GRAYSON, VIRGINIA

FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2014

COUNTY OF GRAYSON, VIRGINIA
FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2014

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INTRODUCTORY SECTION

COUNTY OF GRAYSON, VIRGINIA

BOARD OF SUPERVISORS

| | | |
|-------------------------------|--------------------------|------------------------|
| Brenda Sutherland, Vice Chair | John K. Brewer, Chairman | David M. Sexton, Clerk |
| Kenneth R. Belton | | Glen E. Rosenbaum |

COUNTY SCHOOL BOARD

| | | |
|------------------------------|-------------------------|-----------------|
| Shannon Holdaway, Vice Chair | Hobert D. Bailey, Chair | Fred Weatherman |
| Gary Burris | | Wynn J. Combs |

SOCIAL SERVICES BOARD

| | | |
|----------------------------|--------------------------|------------|
| Joe N. Vaughan, Vice Chair | Brenda Sutherland, Chair | Kate Irwin |
|----------------------------|--------------------------|------------|

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 | Kevin Chalfant |
| Director of Social Services | Anthony Isom |
| County Administrator | Jonathan D. Sweet |

FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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, discretely presented component unit, each major fund, and the aggregate remaining fund information of County of Grayson, Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of County of Grayson, Virginia, as of June 30, 2014, 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 on pages 5-12, budgetary comparison information on pages 62-64, and schedule of pension and OPEB funding progress on page 65 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 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2015, on our consideration of 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, Turner, Co. Associates

Blacksburg, Virginia
January 15, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

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, 2014. 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 resources of the County's governmental activities exceeded its liabilities and deferred inflows at the close of the fiscal year by \$16,920,278 (net position). Of this amount, \$11,933,314 was considered unrestricted.
- The assets and deferred outflows of resources of the County's business-type activities exceeded its liabilities and deferred inflows at the close of the fiscal year by \$1,694,791 (net position). Of this amount, \$80,904 was considered unrestricted.
- The assets and deferred outflows of resources of the School Board component unit exceeded its liabilities and deferred inflows at the close of the fiscal year by \$2,838,811 (net position). Of this amount \$(1,273,925) was considered unrestricted.
- As of the close of the current fiscal year, the County's funds reported combined ending fund balances of \$12,082,866. Of the amount \$8,495,140 was considered unassigned, \$1,884,931 was considered assigned, \$1,200,649 was considered committed, \$378,487 was considered restricted and \$123,659 was considered nonspendable.
- During the fiscal year, the County had change in net position of \$699,487 for governmental activities, \$53,086 for business-type activities, and (\$453,548) for the School Board component unit. For the governmental activities and the business-type activities, the revenues and transfers exceeded the expenses for the fiscal year. For the School Board component unit, the expenses exceeded the revenues and transfers 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 comprise 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 of resources and liabilities and deferred inflows of resources, 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 as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (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.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

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 four 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, Community Development Fund, Industrial Development Fund and the School Construction Fund, of which all four 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 Fairview 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 County has a 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.

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

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 of resources exceed liabilities and deferred inflows of resources by \$16,920,278 at the close of the most recent fiscal year.

A significant portion of the County's net position \$4,608,477 reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. 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 \$378,487, are subject to restrictions on how they may be used. The remaining balance of net position \$11,933,314 may be used to meet the County's ongoing obligations.

The following table summarizes the County's Statement of Net Position and Statement of Activities for 2014 and 2013.

Table 1

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|----------------------------------|----------------------------|------------|-----------------------------|-----------|-----------------------------|------------|
| | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 |
| Current Assets | 22,525,960 | 23,855,235 | 125,039 | 108,740 | 22,650,999 | 23,963,975 |
| Capital Assets | 23,887,063 | 23,610,374 | 2,155,308 | 2,200,953 | 26,042,371 | 25,811,327 |
| Total Assets | 46,413,023 | 47,465,609 | 2,280,347 | 2,309,693 | 48,693,370 | 49,775,302 |
| Current Liabilities | 487,588 | 1,410,202 | 49,403 | 47,826 | 536,991 | 1,458,028 |
| Long-Term Liabilities | 19,416,709 | 18,801,071 | 589,239 | 567,076 | 20,005,948 | 19,368,147 |
| Total Liabilities | 19,904,297 | 20,211,273 | 638,642 | 614,902 | 20,542,939 | 20,826,175 |
| Deferred Inflows of Resources | | | | | | |
| Unavailable Property Taxes | 10,185,991 | 10,334,058 | - | - | 10,185,991 | 10,334,058 |
| Net Investment in Capital Assets | 4,665,175 | 4,608,477 | 1,550,168 | 1,613,887 | 6,215,343 | 6,222,364 |
| Restricted | 540,324 | 378,487 | - | - | 540,324 | 378,487 |
| Unrestricted | 11,117,236 | 11,933,314 | 91,537 | 80,904 | 11,208,773 | 12,014,218 |
| Total Net Position | 16,322,735 | 16,920,278 | 1,641,705 | 1,694,791 | 17,964,440 | 18,615,069 |

COUNTY OF GRAYSON, VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

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

| Table 2 | | | | | | |
|------------------------------------|-------------------------|------------|--------------------------|-----------|--------------------------|------------|
| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
| | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 |
| Charges for Services | 1,723,918 | 1,653,952 | 193,350 | 185,765 | 1,917,268 | 1,839,717 |
| Operating Grants/Contributions | 4,317,619 | 4,226,419 | - | - | 4,317,619 | 4,226,419 |
| Capital Grants/Contributions | - | 241,752 | - | 53,334 | - | 295,086 |
| Program Revenues | 6,041,537 | 6,122,123 | 193,350 | 239,099 | 6,234,887 | 6,361,222 |
| Taxes | 11,051,306 | 11,037,444 | - | - | 11,051,306 | 11,037,444 |
| Interest Income | 55,428 | 15,948 | - | - | 55,428 | 15,948 |
| Miscellaneous | 172,230 | 159,300 | - | - | 172,230 | 159,300 |
| Grants not restricted to program | 890,996 | 887,267 | - | - | 890,996 | 887,267 |
| General Revenues | 12,169,960 | 12,099,959 | - | - | 12,169,960 | 12,099,959 |
| Total Revenues | 18,211,497 | 18,222,082 | 193,350 | 239,099 | 18,404,847 | 18,461,181 |
| General Government Admin. | 1,118,017 | 1,162,628 | - | - | 1,118,017 | 1,162,628 |
| Judicial Administration | 791,486 | 852,464 | - | - | 791,486 | 852,464 |
| Public Safety | 3,265,425 | 3,402,712 | - | - | 3,265,425 | 3,402,712 |
| Public Works | 1,294,578 | 1,725,831 | - | - | 1,294,578 | 1,725,831 |
| Health and Welfare | 2,563,894 | 2,827,869 | - | - | 2,563,894 | 2,827,869 |
| Education | 4,980,545 | 5,668,170 | - | - | 4,980,545 | 5,668,170 |
| Parks, Recreation, Cultural | 471,473 | 441,542 | - | - | 471,473 | 441,542 |
| Community Development | 764,628 | 757,907 | - | - | 764,628 | 757,907 |
| Interest on long-term debt | 641,036 | 612,569 | - | - | 641,036 | 612,569 |
| Water authority | - | - | 278,561 | 256,916 | 278,561 | 256,916 |
| Total Expenses | 15,891,082 | 17,451,692 | 278,561 | 256,916 | 16,169,643 | 17,708,608 |
| Transfers | 258,168 | (70,903) | (258,168) | 70,903 | - | - |
| Change in Net Position | 2,578,583 | 699,487 | (343,379) | 53,086 | 2,235,204 | 752,573 |
| Beginning Net Position as restated | 13,744,152 | 16,220,791 | 1,985,084 | 1,641,705 | 15,729,236 | 17,862,496 |
| Ending Net Position | 16,322,735 | 16,920,278 | 1,641,705 | 1,694,791 | 17,964,440 | 18,615,069 |

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

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 \$12,082,866; \$378,487 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 \$1,200,649 has been committed by action of the Board of Supervisors and \$1,884,931 has been assigned by the Board of Supervisors. The remaining balance, \$8,495,140 is unassigned, meaning there is 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 \$11,017,078 of this amount \$8,495,140 was considered unassigned. The Community Development Fund had a committed fund balance of \$439,476 and the Industrial Development Fund had a committed fund balance of \$626,312.

Total governmental fund revenues increased \$939,415 and expenditures decreased \$16,224,149 over prior fiscal year amounts. The significant decrease in expenditures was due to the payoff of a lease revenue note with general obligation bonds in fiscal year 2013. For fiscal year ended June 30, 2014, revenues and other financing sources exceeded expenditures and other financing uses by \$1,195,418, as compared to the fiscal year ended June 30, 2013, revenues and other financing sources exceeded expenditures and other financing uses by \$2,438,313.

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 \$18,462,503 for fiscal year 2014. The actual revenues were \$18,768,033 which is a favorable variance of \$305,530. The favorable variance is attributed to revenue from general property taxes, other local taxes, and charges for services budgeted for less than the actual amount received. The budgeted expenditures were \$18,445,493 for the County. The actual expenditures were \$17,501,712 which is a favorable variance of \$943,781 which is attributed largely to expenditures for capital projects budgeted for more than was actually spent on capital projects.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

Capital Assets and Debt Administration

Capital assets - The County's investment in capital assets for its governmental funds activities as of June 30, 2014 amounts to \$23,610,374 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and machinery and equipment. The expenditure for capital assets was for the purchase of vehicles for the sheriff's department, improvements to the public works building, a new phone system, and new financial management software. The County's investment in capital assets for its business-type activities as of June 30, 2014 amounts to \$2,200,953 (net of accumulated depreciation) with major expenditures for capital assets for a radio read meter replacement project. Additional information on the County of Grayson's capital assets can be found in Note 11 of this report.

Long-term debt

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

| | Balance July 1, 2013 | Issuances | Retirements | Balance June 30, 2014 |
|----------------------|-------------------------|-------------|--------------------|--------------------------|
| Revenue and GO bonds | \$ 605,140 | \$ - | \$ (18,074) | \$ 587,066 |
| Total | <u>\$ 605,140</u> | <u>\$ -</u> | <u>\$ (18,074)</u> | <u>\$ 587,066</u> |

The outstanding debt for governmental activities at June 30, 2014 is as follows:

| | Balance July 1, 2013 | Issuances | Retirements | Balance June 30, 2014 |
|------------------------------|-------------------------|-------------------|---------------------|--------------------------|
| General obligation bonds | \$ 16,726,830 | \$ - | \$ (77,081) | \$ 16,649,749 |
| Premium on bond | 2,214,499 | - | (107,126) | 2,107,373 |
| Lease revenue notes | 247,790 | - | (3,015) | 244,775 |
| Capital lease | 32,769 | - | (32,769) | - |
| VRS net pension obligation | 138,997 | 153,188 | | 292,185 |
| Landfill closure/postclosure | 57,439 | 804 | - | 58,243 |
| Net OPEB obligation | 90,600 | 40,200 | (20,800) | 110,000 |
| Compensated absences | 95,007 | 35,358 | (23,752) | 106,613 |
| Total | <u>\$ 19,603,931</u> | <u>\$ 229,550</u> | <u>\$ (264,543)</u> | <u>\$ 19,568,938</u> |

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

Economic Factors

The unemployment rate for the County of Grayson, Virginia was on average 8.6% for fiscal year 2014. This is slightly above the state's average unemployment rate of 5.3% and above the national average rate of 6.8%.

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, 2014

| | Primary Government | | | Component Unit |
|--|----------------------|---------------------|----------------------|---------------------|
| | Governmental | Business-type | | |
| | <u>Activities</u> | <u>Activities</u> | <u>Total</u> | <u>School Board</u> |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 3,115,860 | \$ 58,028 | \$ 3,173,888 | \$ 663,624 |
| Investments | 6,454,888 | 12,961 | 6,467,849 | - |
| Receivables (net of allowance for uncollectibles): | | | | |
| Taxes receivable | 11,492,998 | - | 11,492,998 | - |
| Accounts receivable | 593,547 | 22,991 | 616,538 | 212,680 |
| Notes receivable | 375,254 | - | 375,254 | - |
| Due from component unit | 1,011,194 | - | 1,011,194 | - |
| Due from other governmental units | 687,835 | 14,760 | 702,595 | 1,311,297 |
| Prepaid items | 123,659 | - | 123,659 | 200,225 |
| Capital assets (net of accumulated depreciation): | | | | |
| Land | 749,787 | 10,648 | 760,435 | 144,690 |
| Buildings, improvements, and systems | 21,977,077 | - | 21,977,077 | 2,905,042 |
| Machinery and equipment | 692,519 | 11,041 | 703,560 | 1,063,004 |
| Infrastructure | - | 2,059,250 | 2,059,250 | - |
| Construction in progress | 190,991 | 120,014 | 311,005 | - |
| Total assets | <u>\$ 47,465,609</u> | <u>\$ 2,309,693</u> | <u>\$ 49,775,302</u> | <u>\$ 6,500,562</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ 316,712 | \$ 13,827 | \$ 330,539 | \$ 571,157 |
| Accrued salaries | - | - | - | 805,475 |
| Customers' deposits | - | 12,960 | 12,960 | - |
| Accrued interest payable | 325,623 | 1,049 | 326,672 | - |
| Due to primary government | - | - | - | 1,011,194 |
| Long-term liabilities: | | | | |
| Due within one year | 767,867 | 19,990 | 787,857 | 385,501 |
| Due in more than one year | 18,801,071 | 567,076 | 19,368,147 | 888,424 |
| Total liabilities | <u>\$ 20,211,273</u> | <u>\$ 614,902</u> | <u>\$ 20,826,175</u> | <u>\$ 3,661,751</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred revenue - property taxes | \$ 10,334,058 | \$ - | \$ 10,334,058 | \$ - |
| NET POSITION | | | | |
| Net Investment in capital assets | \$ 4,608,477 | \$ 1,613,887 | \$ 6,222,364 | \$ 4,112,736 |
| Restricted: | | | | |
| TEA | 213,527 | - | 213,527 | - |
| DARE | 3,536 | - | 3,536 | - |
| Recreation | 17,388 | - | 17,388 | - |
| Special Law Enforcement | 144,036 | - | 144,036 | - |
| Unrestricted (deficit) | 11,933,314 | 80,904 | 12,014,218 | (1,273,925) |
| Total net position | <u>\$ 16,920,278</u> | <u>\$ 1,694,791</u> | <u>\$ 18,615,069</u> | <u>\$ 2,838,811</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, 2014

| Functions/Programs | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Position | | | |
|--|------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|-----------------|----------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | | Component Unit |
| | | | | | Governmental Activities | Business-type Activities | Total | |
| PRIMARY GOVERNMENT: | | | | | | | | |
| Governmental activities: | | | | | | | | |
| General government administration | \$ 1,162,628 | \$ - | \$ 210,355 | \$ - | \$ (952,273) | \$ - | \$ (952,273) | \$ - |
| Judicial administration | 852,464 | 37,301 | 526,266 | - | (288,897) | - | (288,897) | - |
| Public safety | 3,402,712 | 87,650 | 1,255,433 | - | (2,059,629) | - | (2,059,629) | - |
| Public works | 1,725,831 | 1,470,746 | 7,363 | 59,030 | (188,692) | - | (188,692) | - |
| Health and welfare | 2,827,869 | - | 2,225,002 | - | (602,867) | - | (602,867) | - |
| Education | 5,668,170 | - | - | - | (5,668,170) | - | (5,668,170) | - |
| Parks, recreation, and cultural | 441,542 | 58,255 | - | 27,722 | (355,565) | - | (355,565) | - |
| Community development | 757,907 | - | 2,000 | 155,000 | (600,907) | - | (600,907) | - |
| Interest on long-term debt | 612,569 | - | - | - | (612,569) | - | (612,569) | - |
| Total governmental activities | \$ 17,451,692 | \$ 1,653,952 | \$ 4,226,419 | \$ 241,752 | \$ (11,329,569) | \$ - | \$ (11,329,569) | \$ - |
| Business-type activities: | | | | | | | | |
| Water Authority | \$ 256,916 | \$ 185,765 | \$ - | \$ 53,334 | \$ - | \$ (17,817) | \$ (17,817) | \$ - |
| Total primary government | \$ 17,708,608 | \$ 1,839,717 | \$ 4,226,419 | \$ 295,086 | \$ (11,329,569) | \$ (17,817) | \$ (11,347,386) | \$ - |
| COMPONENT UNITS: | | | | | | | | |
| School Board | \$ 21,971,606 | \$ 248,987 | \$ 15,147,950 | \$ 5,137 | \$ - | \$ - | \$ - | \$ (6,569,532) |
| Total component units | \$ 21,971,606 | \$ 248,987 | \$ 15,147,950 | \$ 5,137 | \$ - | \$ - | \$ - | \$ (6,569,532) |
| General revenues: | | | | | | | | |
| General property taxes | | | | | \$ 9,860,779 | \$ - | \$ 9,860,779 | \$ - |
| Other local taxes: | | | | | | | | |
| Local sales and use taxes | | | | | 386,855 | - | 386,855 | - |
| Consumers' utility taxes | | | | | 340,661 | - | 340,661 | - |
| Motor vehicle licenses | | | | | 281,781 | - | 281,781 | - |
| Other local taxes | | | | | 167,368 | - | 167,368 | - |
| Unrestricted revenues from use of money and property | | | | | 15,948 | - | 15,948 | 28 |
| Miscellaneous | | | | | 159,300 | - | 159,300 | 464,988 |
| Payment from Grayson County | | | | | - | - | - | 5,650,968 |
| Grants and contributions not restricted to specific programs | | | | | 887,267 | - | 887,267 | - |
| Transfers | | | | | (70,903) | 70,903 | - | - |
| Total general revenues and transfers | | | | | \$ 12,029,056 | \$ 70,903 | \$ 12,099,959 | \$ 6,115,984 |
| Change in net position | | | | | \$ 699,487 | \$ 53,086 | \$ 752,573 | \$ (453,548) |
| Net position - beginning, as restated | | | | | 16,220,791 | 1,641,705 | 17,862,496 | 3,292,359 |
| Net position - ending | | | | | \$ 16,920,278 | \$ 1,694,791 | \$ 18,615,069 | \$ 2,838,811 |

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

County of Grayson, Virginia
Balance Sheet
Governmental Funds
June 30, 2014

| | <u>General</u> | <u>Community Development</u> | <u>Industrial Development</u> | <u>School Construction</u> | <u>Total</u> |
|---|----------------------|----------------------------------|-----------------------------------|--------------------------------|----------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | 3,048,809 | \$ - | \$ - | \$ - | \$ 3,048,809 |
| Investments | 5,669,837 | 373,610 | 316,924 | - | 6,360,371 |
| Receivables (net of allowance for uncollectibles): | | | | | |
| Taxes receivable | 11,492,998 | - | - | - | 11,492,998 |
| Accounts receivable | 593,547 | - | - | - | 593,547 |
| Notes receivable | - | 64,247 | 311,007 | - | 375,254 |
| Due from other funds | - | 1,619 | - | - | 1,619 |
| Due from component unit | 1,011,194 | - | - | - | 1,011,194 |
| Due from other governmental units | 687,835 | - | - | - | 687,835 |
| Prepaid items | 123,659 | - | - | - | 123,659 |
| Total assets | <u>\$ 22,627,879</u> | <u>\$ 439,476</u> | <u>\$ 627,931</u> | <u>\$ -</u> | <u>\$ 23,695,286</u> |
| LIABILITIES | | | | | |
| Accounts payable | \$ 315,790 | \$ - | \$ - | \$ - | \$ 315,790 |
| Due to other funds | - | - | 1,619 | - | 1,619 |
| Total liabilities | <u>\$ 315,790</u> | <u>\$ -</u> | <u>\$ 1,619</u> | <u>\$ -</u> | <u>\$ 317,409</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Unavailable revenue - property taxes | \$ 11,295,011 | \$ - | \$ - | \$ - | \$ 11,295,011 |
| FUND BALANCES | | | | | |
| Nonspendable: | | | | | |
| Prepaid items | \$ 123,659 | \$ - | \$ - | \$ - | \$ 123,659 |
| Restricted: | | | | | |
| TEA | 213,527 | - | - | - | 213,527 |
| DARE | 3,536 | - | - | - | 3,536 |
| Recreation | 17,388 | - | - | - | 17,388 |
| Special Law Enforcement | 144,036 | - | - | - | 144,036 |
| Committed: | | | | | |
| Law Library | 772 | - | - | - | 772 |
| Courthouse Security | 42,087 | - | - | - | 42,087 |
| Courthouse Maintenance | 10,347 | - | - | - | 10,347 |
| School Bus Replacement | 81,655 | - | - | - | 81,655 |
| Community Development | - | 439,476 | - | - | 439,476 |
| Industrial Development | - | - | 626,312 | - | 626,312 |
| Assigned: | | | | | |
| Reassessment | 196,000 | - | - | - | 196,000 |
| Contingency | 886,225 | - | - | - | 886,225 |
| Capital Improvement | 777,310 | - | - | - | 777,310 |
| Sheriff | 12,698 | - | - | - | 12,698 |
| Treasurer | 12,698 | - | - | - | 12,698 |
| Unassigned: | 8,495,140 | - | - | - | 8,495,140 |
| Total fund balances | <u>\$ 11,017,078</u> | <u>\$ 439,476</u> | <u>\$ 626,312</u> | <u>\$ -</u> | <u>\$ 12,082,866</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 22,627,879</u> | <u>\$ 439,476</u> | <u>\$ 627,931</u> | <u>\$ -</u> | <u>\$ 23,695,286</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, 2014

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

| | | |
|--|------------------|-----------------------------|
| Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds | | \$ 12,082,866 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | | |
| Land | \$ 749,787 | |
| Buildings and system | 21,977,077 | |
| Machinery and equipment | 692,519 | |
| Construction in progress | <u>190,991</u> | 23,610,374 |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds. | | 960,953 |
| 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. | | 160,646 |
| 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 | \$ (16,649,749) | |
| Premium on Bond Issuance | (2,107,373) | |
| Lease Revenue Bond | (244,775) | |
| Accrued interest payable | (325,623) | |
| Landfill accrued closure/postclosure liability | (58,243) | |
| Net OPEB obligation | (110,000) | |
| VRS net pension obligation | (292,185) | |
| Compensated absences | <u>(106,613)</u> | (19,894,561) |
| Net position of governmental activities | | <u><u>\$ 16,920,278</u></u> |

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

County of Grayson, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2014

| | General | Community Development | Industrial Development | School Construction | Total |
|--|----------------------|--------------------------|---------------------------|------------------------|----------------------|
| REVENUES | | | | | |
| General property taxes | \$ 9,911,906 | \$ - | \$ - | \$ - | \$ 9,911,906 |
| Other local taxes | 1,176,665 | - | - | - | 1,176,665 |
| Permits, privilege fees, and regulatory licenses | 87,650 | - | - | - | 87,650 |
| Fines and forfeitures | 20,089 | - | - | - | 20,089 |
| Revenue from the use of money and property | 15,011 | 700 | - | 237 | 15,948 |
| Charges for services | 1,546,213 | - | - | - | 1,546,213 |
| Miscellaneous | 154,030 | - | 5,270 | - | 159,300 |
| Recovered costs | 494,824 | - | - | - | 494,824 |
| Intergovernmental: | | | | | |
| Commonwealth | 4,029,080 | - | - | - | 4,029,080 |
| Federal | 1,326,358 | - | - | - | 1,326,358 |
| Total revenues | <u>\$ 18,761,826</u> | <u>\$ 700</u> | <u>\$ 5,270</u> | <u>\$ 237</u> | <u>\$ 18,768,033</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government administration | \$ 1,334,380 | \$ - | \$ - | \$ - | \$ 1,334,380 |
| Judicial administration | 846,279 | - | - | - | 846,279 |
| Public safety | 3,625,690 | - | - | - | 3,625,690 |
| Public works | 1,689,509 | - | - | - | 1,689,509 |
| Health and welfare | 2,900,826 | - | - | - | 2,900,826 |
| Education | 5,227,702 | - | - | - | 5,227,702 |
| Parks, recreation, and cultural | 440,943 | - | - | - | 440,943 |
| Community development | 770,461 | - | - | - | 770,461 |
| Capital projects | 40,057 | - | - | - | 40,057 |
| Debt service: | | | | | |
| Principal retirement | 112,865 | - | - | - | 112,865 |
| Interest and other fiscal charges | 513,000 | - | - | - | 513,000 |
| Total expenditures | <u>\$ 17,501,712</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 17,501,712</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ 1,260,114</u> | <u>\$ 700</u> | <u>\$ 5,270</u> | <u>\$ 237</u> | <u>\$ 1,266,321</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | \$ 207,051 | \$ 7 | \$ - | \$ - | \$ 207,058 |
| Transfers out | (70,910) | - | (34) | (207,017) | (277,961) |
| Total other financing sources (uses) | <u>\$ 136,141</u> | <u>\$ 7</u> | <u>\$ (34)</u> | <u>\$ (207,017)</u> | <u>\$ (70,903)</u> |
| Net change in fund balances | \$ 1,396,255 | \$ 707 | \$ 5,236 | \$ (206,780) | \$ 1,195,418 |
| Fund balances - beginning, as restated | 9,620,823 | 438,769 | 621,076 | 206,780 | 10,887,448 |
| Fund balances - ending | <u>\$ 11,017,078</u> | <u>\$ 439,476</u> | <u>\$ 626,312</u> | <u>\$ -</u> | <u>\$ 12,082,866</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, 2014

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

Net change in fund balances - total governmental funds \$ 1,195,418

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

| | | |
|----------------------|------------------|-----------|
| Capital outlay | \$ 577,594 | |
| Depreciation expense | <u>(789,282)</u> | (211,688) |

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase (decrease) net position. (65,001)

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

Decrease (increase) in unavailable revenue - property taxes (51,127)

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: | | |
| Increase in accrued landfill closure/postclosure cost | \$ (804) | |
| Principal repayments: | | |
| General obligation bonds | 77,081 | |
| Lease revenue note | 3,015 | |
| Capital lease | <u>32,769</u> | 112,061 |

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.

| | | |
|---|----------------|-----------|
| Decrease (increase) in compensated absences | \$ (11,606) | |
| Decrease (increase) in net OPEB obligation | (19,400) | |
| Decrease (increase) in VRS net pension obligation | (153,188) | |
| Decrease (increase) in accrued interest payable | (206,695) | |
| Amortization of bond premium | <u>107,126</u> | (283,763) |

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. 3,587

| | |
|---|--------------------------|
| Change in net position of governmental activities | <u><u>\$ 699,487</u></u> |
|---|--------------------------|

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, 2014

| | Enterprise Fund Fairview <u>Water Fund</u> | Internal Service <u>Fund</u> |
|---|---|------------------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 58,028 | \$ 67,051 |
| Investments | 12,961 | 94,517 |
| Accounts receivables, net of allowance for uncollectibles | 22,991 | - |
| Due from other governmental units | 14,760 | - |
| Total current assets | <u>\$ 108,740</u> | <u>\$ 161,568</u> |
| Capital assets: | | |
| Infrastructure | \$ 3,159,259 | - |
| Accumulated depreciation | (1,078,320) | - |
| Construction in progress | 120,014 | - |
| Total capital assets | <u>\$ 2,200,953</u> | <u>\$ -</u> |
| Total assets | <u>\$ 2,309,693</u> | <u>\$ 161,568</u> |
| LIABILITIES | | |
| Current liabilities: | | |
| Accounts payable | \$ 13,827 | \$ 922 |
| Customers' deposits | 12,960 | - |
| Accrued interest payable | 1,049 | - |
| Bonds payable - current portion | 19,990 | - |
| Total current liabilities | <u>\$ 47,826</u> | <u>\$ 922</u> |
| Noncurrent liabilities: | | |
| Bonds payable - net of current portion | \$ 567,076 | \$ - |
| Total noncurrent liabilities | <u>\$ 567,076</u> | <u>\$ -</u> |
| Total liabilities | <u>\$ 614,902</u> | <u>\$ 922</u> |
| NET POSITION | | |
| Net investment in capital assets | \$ 1,613,887 | \$ - |
| Unrestricted | 80,904 | 160,646 |
| Total net position | <u>\$ 1,694,791</u> | <u>\$ 160,646</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, 2014

| | Enterprise Fund Fairview <u>Water Fund</u> | Internal Service <u>Fund</u> |
|---|---|------------------------------------|
| OPERATING REVENUES | | |
| Charges for services: | | |
| Water revenues | \$ 185,765 | \$ - |
| Insurance premiums | - | 57,818 |
| Total operating revenues | <u>\$ 185,765</u> | <u>\$ 57,818</u> |
| OPERATING EXPENSES | | |
| Salaries and wages | \$ 24,727 | \$ - |
| Employee benefits | 3,044 | - |
| Utilities | 6,339 | - |
| Professional services | 2,208 | - |
| Purchase of water | 80,775 | - |
| Materials and supplies | 5,638 | - |
| Travel | 4,840 | - |
| Maintenance services | 21,239 | - |
| Insurance claims and expenses | - | 54,328 |
| Miscellaneous | 3,977 | - |
| Depreciation | 83,394 | - |
| Total operating expenses | <u>\$ 236,181</u> | <u>\$ 54,328</u> |
| Operating income (loss) | <u>\$ (50,416)</u> | <u>\$ 3,490</u> |
| NONOPERATING REVENUES (EXPENSES) | | |
| Investment income | \$ - | \$ 97 |
| Interest expense | (20,735) | - |
| Total nonoperating revenues (expenses) | <u>\$ (20,735)</u> | <u>\$ 97</u> |
| Income before transfers and capital contributions | <u>\$ (71,151)</u> | <u>\$ 3,587</u> |
| Capital contributions and construction grants | \$ 53,334 | \$ - |
| Transfers in | 70,903 | - |
| Change in net position | <u>\$ 53,086</u> | <u>\$ 3,587</u> |
| Total net position - beginning | 1,641,705 | 157,059 |
| Total net position - ending | <u><u>\$ 1,694,791</u></u> | <u><u>\$ 160,646</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, 2014

| | Enterprise Fund Fairview <u>Water Fund</u> | Internal Service <u>Fund</u> |
|---|---|------------------------------------|
| CASH FLOWS FROM BY OPERATING ACTIVITIES | | |
| Receipts from customers and users | \$ 176,819 | \$ - |
| Receipts for insurance premiums | - | 57,818 |
| Payments to suppliers | (124,991) | - |
| Payments to and for employees | (27,771) | - |
| Payments for insurance premiums | - | (53,523) |
| Net cash provided by (used for) operating activities | <u>\$ 24,057</u> | <u>\$ 4,295</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Transfers from other funds | <u>\$ 70,903</u> | <u>\$ -</u> |
| Net cash provided by (used for) noncapital financing activities | <u>\$ 70,903</u> | <u>\$ -</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Purchase of capital assets | \$ (129,039) | \$ - |
| Contributions in aid of construction | 38,574 | - |
| Proceeds from indebtedness | (18,074) | - |
| Interest payments | <u>(20,725)</u> | <u>-</u> |
| Net cash provided by (used for) capital and related financing activities | <u>\$ (129,264)</u> | <u>\$ -</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Sale (purchase) of investments | <u>\$ 2,673</u> | <u>\$ -</u> |
| Net cash provided by (used for) investing activities | <u>\$ 2,673</u> | <u>\$ -</u> |
| Net increase (decrease) in cash and cash equivalents | \$ (31,631) | \$ 4,295 |
| Cash and cash equivalents - beginning | 89,659 | 62,756 |
| Cash and cash equivalents - ending | <u>\$ 58,028</u> | <u>\$ 67,051</u> |
| Reconciliation of operating income (loss) to net cash provided by (used for) operating activities: | | |
| Operating income (loss) | <u>\$ (50,416)</u> | <u>\$ 3,490</u> |
| Adjustments to reconcile operating income to net cash provided by (used for) operating activities: | | |
| Depreciation expense | \$ 83,394 | \$ - |
| (Increase) decrease in accounts receivable | (3,245) | - |
| Increase (decrease) in accounts payable | 25 | 805 |
| Increase (decrease) in customer deposits | (5,701) | - |
| Total adjustments | <u>\$ 74,473</u> | <u>\$ 805</u> |
| Net cash provided by (used for) operating activities | <u>\$ 24,057</u> | <u>\$ 4,295</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, 2014

| | Agency <u>Funds</u> |
|---|------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 282,534 |
| Investments | 172,079 |
| Total assets | <u>\$ 454,613</u> |
| LIABILITIES | |
| Amounts held for social services clients | \$ 10,006 |
| Amounts held for subsequent remittance to State for surcharge | 374 |
| Amounts held for Mt. Rogers Alcohol Safety Action Program | 365,047 |
| Amounts held for Grayson Regional Library | 79,186 |
| Total liabilities | <u>\$ 454,613</u> |

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

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 1-Summary of Significant Accounting Policies:

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

A. Financial Reporting Entity

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

Blended component units - The Grayson County Industrial Development Authority 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. They are reported in a separate column to emphasize that they are legally separate from the County.

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

Related Organizations - The County has no related organizations.

Jointly Governed Organizations:

1. The County of Grayson and the Counties of Wythe, Bland, Carroll, and Smyth, along with the City of Galax, participate in supporting the Mount Rogers Community Services Board. For the fiscal year ended June 30, 2014, the County contributed \$51,300.
2. The County of Grayson, along with the County of Wythe, participates in supporting the Wythe/Grayson Regional Library. For the fiscal year ended June 30, 2014, the County contributed \$242,900.
3. The County of Grayson, along with the County of Carroll and the City of Galax, participates in the Carroll-Grayson-Galax Solid Waste Authority. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. Operating expenses of the Authority are offset by user fees and no local contribution was required of the County of Grayson for the fiscal year ended June 30, 2014.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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

A. Financial Reporting Entity (Continued)

Jointly Governed Organizations: (Continued)

4. The County of Grayson, along with the City of Galax, participates in supporting the Galax-Grayson Emergency Medical Service. Each locality appoints two members to the Service's Board. For the fiscal year ended June 30, 2014, no contribution was made by the County to the Service.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net 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.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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

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.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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

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

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

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

The County reports the following major proprietary funds:

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

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

Additionally, the County reports the following fund types:

Fiduciary funds (Trust and Agency Funds) account for assets held by the government in a trustee capacity or as agent or custodian for individuals, private organizations, other governmental units, or other funds. Agency funds include the Special Welfare, Building Code, ASAP, and Regional Library funds.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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

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

1. Cash and Cash Equivalents

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

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

2. Receivables and payables

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

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

3. Property Taxes

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

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 \$123,397 at June 30, 2014 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. 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, 2014.

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 does not have any deferred outflows of resources as of June 30, 2014.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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

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

7. Deferred Outflows/Inflows of Resources (continued)

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 only one type of item, which arises only under a modified accrual basis of accounting, that qualifies 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.

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. 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.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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

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

10. Fund equity

The County reports fund balance in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The County of Grayson, Virginia evaluated its funds at June 30, 2014 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 of Grayson, Virginia considers to be the Board of Directors.

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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

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

11. 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.

12. 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 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.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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.
 - a. All budgetary data presented in the accompanying financial statements is the revised budget as of June 30.
10. 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, 2014, only the School Board expenditures exceeded appropriations.

C. Deficit fund equity

At June 30, 2014, 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.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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).

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, 2014 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 |
| LGIP | \$ 6,639,928 |

Concentration of Credit Risk:

At June 30, 2014, the County did not have any investments meeting the GASB 40 definition requiring concentration of credit risk disclosures that exceeded 5% of total investments.

Interest Rate Risk:

At June 30, 2014, the County did not have any investments meeting the GASB 40 definition requiring interest rate risk disclosures.

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

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COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 4-Due from Other Governmental Units:

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

| | <u>Primary Government</u> | <u>Component Unit- School Board</u> |
|----------------------------------|-------------------------------|---|
| <u>Commonwealth of Virginia:</u> | | |
| Local sales tax | \$ 64,522 | \$ - |
| Communications tax | 41,287 | - |
| State sales tax | - | 350,452 |
| Categorical aid | 323,338 | - |
| Noncategorical aid | 12,133 | - |
| Virginia public assistance funds | 70,237 | - |
| Comprehensive services act | 72,426 | - |
| <u>Federal Government:</u> | | |
| Virginia public assistance funds | 87,498 | - |
| Categorical aid | 31,154 | 960,845 |
| | <u> </u> | <u> </u> |
| Totals | <u>\$ 702,595</u> | <u>\$ 1,311,297</u> |

Note 5-Interfund/Component-Unit Obligations:

The following amounts represent interfund obligations at year end:

| <u>Fund</u> | <u>Due to Primary Government/ Component Unit</u> | <u>Due from Primary Government/ Component Unit</u> |
|--------------------------------|--|--|
| Primary Government: | | |
| General Fund | <u>\$ -</u> | <u>\$ 1,011,194</u> |
| Component Unit - School Board: | | |
| School Operating Fund | <u>\$ 1,011,194</u> | <u>\$ -</u> |

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 6-Interfund Transfers:

Interfund transfers for the fiscal year ended June 30, 2014 consisted of the following:

| <u>Fund</u> | <u>Transfers In</u> | <u>Transfers Out</u> |
|-----------------------------|---------------------|----------------------|
| Primary Government: | | |
| General Fund | \$ 207,051 | \$ (70,910) |
| Fairview Water Fund | 70,903 | - |
| Industrial Development Fund | - | (34) |
| Community Development Fund | 7 | - |
| School Construction Fund | - | (207,017) |
| Total | <u>\$ 277,961</u> | <u>\$ (277,961)</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, 2014:

| | <u>Balance July 1, 2013</u> | <u>Increases/ Issuances</u> | <u>Decreases/ Retirements</u> | <u>Balance June 30, 2014</u> |
|--|---------------------------------|---------------------------------|-----------------------------------|----------------------------------|
| General obligation bonds | \$ 16,726,830 | \$ - | \$ (77,081) | \$ 16,649,749 |
| Premium on bond | 2,214,499 | - | (107,126) | 2,107,373 |
| Lease revenue note | 247,790 | - | (3,015) | 244,775 |
| Capital lease (Note 9) | 32,769 | - | (32,769) | - |
| VRS net pension obligation | 138,997 | 153,188 | - | 292,185 |
| Landfill closure/ postclosure liability | 57,439 | 804 | - | 58,243 |
| Net OPEB obligation | 90,600 | 40,200 | (20,800) | 110,000 |
| Compensated absences | 95,007 | 35,358 | (23,752) | 106,613 |
| Total | <u>\$ 19,603,931</u> | <u>\$ 229,550</u> | <u>\$ (264,543)</u> | <u>\$ 19,568,938</u> |

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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 | | Lease Revenue Note | |
|-------------------------|--------------------------|---------------------|--------------------|-------------------|
| | Principal | Interest | Principal | Interest |
| 2015 | \$ 577,659 | \$ 699,871 | \$ 3,122 | \$ 8,518 |
| 2016 | 593,337 | 680,414 | 3,233 | 8,407 |
| 2017 | 614,050 | 657,714 | 3,348 | 8,292 |
| 2018 | 634,801 | 631,590 | 3,467 | 8,173 |
| 2019 | 660,591 | 604,517 | 3,591 | 8,050 |
| 2020-2024 | 3,786,240 | 2,492,653 | 19,961 | 38,239 |
| 2025-2029 | 4,493,071 | 1,447,092 | 23,773 | 34,427 |
| 2030-2034 | 5,290,000 | 480,338 | 28,312 | 29,888 |
| 2035-2039 | - | - | 33,718 | 24,482 |
| 2040-2044 | - | - | 40,156 | 18,044 |
| 2045-2049 | - | - | 47,823 | 10,377 |
| 2050-2054 | - | - | 34,271 | 1,951 |
| Totals | <u>\$ 16,649,749</u> | <u>\$ 7,694,189</u> | <u>\$ 244,775</u> | <u>\$ 198,848</u> |

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COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 7-Long-Term Obligations: (Continued)

Primary Government - Governmental Activities Obligations: (Continued)

Details of long-term obligations:

| | Interest Rates | Date Issued | Final Maturity Date | Amount of Original Issue | Balance Governmental Activities | Amount Due Within One Year |
|---|-------------------|----------------|---------------------------|--------------------------------|---------------------------------------|----------------------------------|
| <u>General Obligation Bonds:</u> | | | | | | |
| General Obligation Bond | 5.10% | 11/10/05 | 2025 | \$ 585,603 | \$ 384,749 | \$ 27,659 |
| General Obligation Bond | 5.10% | 11/10/05 | 2025 | 995,000 | 595,000 | 50,000 |
| General Obligation Bond | 3.05%-5.05% | 05/09/13 | 2034 | 15,670,000 | 15,670,000 | 500,000 |
| Subtotal | | | | | \$ 16,649,749 | \$ 577,659 |
| Premium on Bond | | | | 87,862 | 52,718 | 4,393 |
| Premium on Bond | | | | 2,157,388 | 2,054,655 | 102,733 |
| Total General Obligation Bonds | | | | | \$ 18,757,122 | \$ 684,785 |
| <u>Lease Revenue Note:</u> | | | | | | |
| Lease revenue note | 3.50% | 09/11/12 | 2053 | \$ 250,000 | \$ 244,775 | \$ 3,122 |
| <u>Other Obligations:</u> | | | | | | |
| Landfill closure/post-closure liability | | | | | \$ 58,243 | \$ - |
| VRS net pension obligation | | | | | 292,185 | - |
| Net OPEB obligation | | | | | 110,000 | - |
| Compensated Absences | | | | | 106,613 | 79,960 |
| Total Other Obligations | | | | | \$ 567,041 | \$ 79,960 |
| Total Long-term Obligations | | | | | \$ 19,568,938 | \$ 767,867 |

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, 2014:

| | Balance July 1, 2013 | Issuances | Retirements | Balance June 30, 2014 |
|---------------|-------------------------|-----------|-------------|--------------------------|
| Revenue Bonds | \$ 605,140 | \$ - | \$ (18,074) | \$ 587,066 |
| Total | \$ 605,140 | \$ - | \$ (18,074) | \$ 587,066 |

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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 |
| 2015 | \$ 19,990 | \$ 19,877 |
| 2016 | 19,716 | 21,775 |
| 2017 | 20,594 | 20,948 |
| 2018 | 21,515 | 20,082 |
| 2019 | 22,479 | 19,175 |
| 2020-2024 | 128,544 | 80,695 |
| 2025-2029 | 142,706 | 50,600 |
| 2030-2034 | 57,468 | 22,643 |
| 2035-2039 | 42,457 | 16,680 |
| 2040-2044 | 48,104 | 11,458 |
| 2045-2049 | 54,502 | 5,578 |
| 2050-2054 | 8,991 | 427 |
| Totals | <u>\$ 587,066</u> | <u>\$ 289,938</u> |

Details of long-term indebtedness:

| | Interest | Date | Final | Amount of | Balance | Amount |
|---------------------------------------|--------------|---------------|-----------------|-----------------|----------------------|-------------------|
| | <u>Rates</u> | <u>Issued</u> | <u>Maturity</u> | <u>Original</u> | <u>Business-Type</u> | <u>Due Within</u> |
| | | | <u>Date</u> | <u>Issue</u> | <u>Activities</u> | <u>One Year</u> |
| <u>Revenue Bonds:</u> | | | | | | |
| Rural Development Water Revenue Bonds | 5.00% | 09/01/92 | 2032 | \$ 491,600 | \$ 307,039 | \$ 14,624 |
| Rural Development Water Revenue Bonds | 2.50% | 05/06/10 | 2050 | 290,000 | 280,027 | 5,366 |
| Total Revenue Bonds | | | | | <u>\$ 587,066</u> | <u>\$ 19,990</u> |

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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, 2014:

| | Balance July 1, 2013 | Increases/ Issuances | Decreases/ Retirements | Balance June 30, 2014 |
|---------------------------------|-------------------------|-------------------------|---------------------------|--------------------------|
| Net OPEB obligation | \$ 412,800 | \$ 206,500 | \$ (167,300) | \$ 452,000 |
| Early retirement incentive plan | 377,092 | - | (69,168) | 307,924 |
| Compensated absences | 246,999 | 452,251 | (185,249) | 514,001 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total | \$ 1,036,891 | \$ 658,751 | \$ (421,717) | \$ 1,273,925 |

Details of long-term obligations:

| | Total Amount | Amount Due Within One Year |
|----------------------------------|-------------------|-------------------------------|
| <u>Other Obligations:</u> | | |
| Net OPEB obligation | \$ 452,000 | \$ - |
| Early retirement incentive plan | 307,924 | - |
| Compensated absences | 514,001 | 385,501 |
| | <u> </u> | <u> </u> |
| Total Long-term Obligations | \$ 1,273,925 | \$ 385,501 |

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 9-Employee Retirement System and Pension Plan:

A. Plan Description

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

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

Within the VRS Plan, the System administers three different benefit plans for local government employees - Plan 1, Plan 2, and, Hybrid. Each plan has different eligibility and benefit structures as set out below:

| |
|---------------------|
| VRS – PLAN 1 |
|---------------------|

1. **Plan Overview** - VRS 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 VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.
2. **Eligible Members** - Employees are in VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.
3. **Hybrid Opt-In Election** - VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible VRS Plan 1 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and had prior service under VRS Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 1 or ORP.

Note 9-Employee Retirement System and Pension Plan: (Continued)

A. Plan Description (Continued)

| |
|---------------------------------|
| VRS – PLAN 1 (Continued) |
|---------------------------------|

4. **Retirement Contributions** - Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.
5. **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.
6. **Vesting** - Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.

Members are always 100% vested in the contributions that they make.

7. **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.

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.

8. **Average Final Compensation** - A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.
9. **Service Retirement Multiplier** - 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 1.7%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.
10. **Normal Retirement Age** - Age 65.

Note 9-Employee Retirement System and Pension Plan: (Continued)

A. Plan Description (Continued)

| |
|---------------------------------|
| VRS – PLAN 1 (Continued) |
|---------------------------------|

- 11. Earliest Unreduced Retirement Eligibility** - Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.

Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

- 12. Earliest Reduced Retirement Eligibility** - Members may retire with a reduced benefit as early as age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.

- 13. Cost-of-Living Adjustment (COLA) in Retirement** - The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.

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

For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.

- 15. Exceptions to COLA Effective Dates** - The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

- The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
- The member retires on disability.
- The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
- The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
- The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 9-Employee Retirement System and Pension Plan: (Continued)

A. Plan Description (Continued)

| |
|---------------------------------|
| VRS – PLAN 1 (Continued) |
|---------------------------------|

- 16. 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.

Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

- 17. 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.

| |
|---------------------|
| VRS – PLAN 2 |
|---------------------|

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

The Hybrid Retirement Plan's effective date for eligible VRS Plan 2 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and have prior service under VRS Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 2 or ORP.

Note 9-Employee Retirement System and Pension Plan: (Continued)

A. Plan Description (Continued)

| |
|---------------------------------|
| VRS – PLAN 2 (Continued) |
|---------------------------------|

4. **Retirement Contributions** - Same as VRS Plan 1–Refer to Section 4.
5. **Creditable Service** - Same as VRS Plan 1– Refer to Section 5.
6. **Vesting** - Same as VRS Plan 1–Refer to Section 6.
7. **Calculating the Benefit** - Same as VRS Plan 1–Refer to Section 7.
8. **Average Final Compensation** - A member’s average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.
9. **Service Retirement Multiplier** - Same as Plan1 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.
10. **Normal Retirement Age** - Normal Social Security retirement age.
11. **Earliest Unreduced Retirement Eligibility** - Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.
12. **Earliest Reduced Retirement Eligibility** - Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.
13. **Cost-of-Living Adjustment (COLA) in Retirement** - The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.
14. **Eligibility** - Same as VRS Plan 1–Refer to Section 14.
15. **Exceptions to COLA Effective Dates** - Same as VRS Plan 1–Refer to Section 15.

Note 9-Employee Retirement System and Pension Plan: (Continued)

A. Plan Description (Continued)

| |
|---------------------------------|
| VRS – PLAN 2 (Continued) |
|---------------------------------|

- 16. 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.

Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

- 17. Purchase of Prior Service** - Same as VRS Plan 1–Refer to Section 17.

| |
|-------------------------------|
| HYBRID RETIREMENT PLAN |
|-------------------------------|

- 1. Plan Overview** - 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 VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window. (See “Eligible Members”)
- The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.
 - The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.
 - 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 9-Employee Retirement System and Pension Plan: (Continued)

A. Plan Description (Continued)

| |
|---|
| HYBRID RETIREMENT PLAN (Continued) |
|---|

2. **Eligible Members** - Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:
 - State employees*
 - School division employees
 - Political subdivision employees*
 - Judges appointed or elected to an original term on or after January 1, 2014
 - Members in VRS Plan 1 or VRS 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
3. ***Non-Eligible Members** - Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:
 - Members of the State Police Officers' Retirement System (SPORS)
 - Members of the Virginia Law Officers' Retirement System (VaLORS)
 - Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

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 VRS Plan 1 or VRS Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or VRS Plan 2 (as applicable) or ORP.

4. **Retirement Contributions** - A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

Note 9-Employee Retirement System and Pension Plan: (Continued)

A. Plan Description (Continued)

| |
|---|
| HYBRID RETIREMENT PLAN (Continued) |
|---|

5. Creditable Service

Defined Benefit Component - Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

Defined Contribution Component - Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

6. Vesting

Defined Benefit Component - Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. VRS Plan 1 or VRS Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

Defined Contribution Component - Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.

Members are always 100% vested in the contributions that they make.

Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.

- After two years, a member is 50% vested and may withdraw 50% of employer contributions.
- After three years, a member is 75% vested and may withdraw 75% of employer contributions.
- After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distribution is not required by law until age 70½.

Note 9-Employee Retirement System and Pension Plan: (Continued)

A. Plan Description (Continued)

| |
|---|
| HYBRID RETIREMENT PLAN (Continued) |
|---|

7. Calculating the Benefit

Defined Benefit Component - Same as VRS Plan 1–Refer to Section 7.

Defined Contribution Component - The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

8. Average Final Compensation - Same as VRS Plan 2–Refer to Section 8. It is used in the retirement formula for the defined benefit component of the plan.

9. Service Retirement Multiplier - The retirement multiplier is 1.0%.

For members that opted into the Hybrid Retirement Plan from VRS Plan 1 or VRS Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

10. Normal Retirement Age

Defined Benefit Component - Same as VRS Plan 2–Refer to Section 10.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

11. Earliest Unreduced Retirement Eligibility

Defined Benefit Component - Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

12. Earliest Reduced Retirement Eligibility

Defined Benefit Component - Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 9-Employee Retirement System and Pension Plan: (Continued)

A. Plan Description (Continued)

| |
|---|
| HYBRID RETIREMENT PLAN (Continued) |
|---|

13. Cost-of-Living Adjustment (COLA) in Retirement

Defined Benefit Component - Same as VRS Plan 2–Refer to Section 13.

Defined Contribution Component - Not Applicable.

14. Eligibility - Same as VRS Plan 1 and VRS Plan 2–Refer to Section 14.

15. Exceptions to COLA Effective Dates - Same as VRS Plan 1 and VRS Plan 2–Refer to Section 15.

16. Disability Coverage - Eligible political subdivision and school division members (including VRS Plan 1 and VRS 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.

State employees (including VRS Plan 1 and VRS Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

Hybrid members (including VRS Plan 1 and VRS Plan 2 opt-ins) covered under VSDP or VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

17. Purchase of Prior Service

Defined Benefit Component - Same as VRS Plan 1 and VRS Plan 2–Refer to Section 17.

Defined Contribution Component - Not Applicable.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2013-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 9-Employee Retirement System and Pension Plan: (Continued)

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be 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% member contribution. This could be phased in over a period 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. In addition, the County and School Board are required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County's and School Board's contribution rates for the fiscal year ended 2014 were 14.61% and 10.23% of annual covered payroll, respectively.

The School Board's contributions for professional employees were \$1,089,284, \$1,049,617, and \$1,027,763, to the teacher cost-sharing pool for the fiscal years ended June 30, 2014, 2013, and 2012, respectively and these contributions represented 11.66%, 11.66%, and 6.33% for 2014, 2013, and 2012, respectively, of current covered payroll.

C. Annual Pension Cost

For fiscal year 2014, the County's annual pension cost of \$548,548 was not equal to the required and actual contribution for the County of \$701,736. The School Board's annual pension cost of \$130,057 was equal to the School Board's required and actual contributions for the School Board Non-Professionals.

| | Fiscal Year Ending (1) | Three-Year Trend Information | | |
|--------------------------------------|---------------------------|------------------------------|----------------------------------|---------------------------|
| | | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
| Primary Government: | | | | |
| County | 6/30/2014 | \$ 548,548 | 78.17% | \$ 153,188 |
| | 6/30/2013 | 497,732 | 78.17% | 138,997 |
| | 6/30/2012 | 495,165 | 100.00% | - |
| Discretely Presented-Component Unit: | | | | |
| School Board Non-Professional | 6/30/2014 | \$ 130,057 | 100.00% | \$ - |
| | 6/30/2013 | 120,084 | 100.00% | - |
| | 6/30/2012 | 89,421 | 100.00% | - |

¹ Employer portion only

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 9-Employee Retirement System and Pension Plan: (Continued)

C. Annual Pension Cost (Continued)

The FY 2014 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees, 3.75% to 6.20% per year for teachers, and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County's and School Board's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County's and School Board's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

D. Funded Status and Funding Progress

As of June 30, 2013, the most recent actuarial valuation date, the County's plan was 66.08% funded. The actuarial accrued liability for benefits was \$20,356,167, and the actuarial value of assets was \$13,451,329, resulting in an unfunded actuarial accrued liability (UAAL) of \$6,904,838. The covered payroll (annual payroll of active employees covered by the plan) was \$3,346,000 and ratio of the UAAL to the covered payroll was 206.36%.

As of June 30, 2013, the most recent actuarial valuation date, the School Board's plan was 78.72% funded. The actuarial accrued liability for benefits was \$4,966,171, and the actuarial value of assets was \$3,909,171, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,057,000. The covered payroll (annual payroll of active employees covered by the plan) was \$1,210,620 and ratio of the UAAL to the covered payroll was 87.31%.

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

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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.

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 | \$ 466 | \$ 503 | |
| Employee and Spouse | 1,040 | 1,123 | |
| Employee and Child | 639 | 690 | |
| Family | 1,402 | 1,514 | |
| School Board: | <u>Base Plan</u> | <u>High Plan</u> | <u>High Ded. Plan</u> |
| Employee Only | \$ 469 | \$ 500 | \$ 425 |
| Employee and Spouse | 868 | 925 | 786 |
| Employee and Child | 868 | 925 | 786 |
| Family | 1,266 | 1,350 | 1,148 |

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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

B. Funding Policy (Continued)

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.

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 | \$ 43,400 | \$ 221,000 | \$ 264,400 |
| Interest on net OPEB obligation | 3,600 | 16,500 | 20,100 |
| Adjustment to annual required contribution | (6,800) | (31,000) | (37,800) |
| Annual OPEB cost (expense) | 40,200 | 206,500 | 246,700 |
| Contributions made | (20,800) | (167,300) | (188,100) |
| Increase in net OPEB obligation | 19,400 | 39,200 | 58,600 |
| Net OPEB obligation - beginning of year | 90,600 | 412,800 | 503,400 |
| Net OPEB obligation - end of year | \$ 110,000 | \$ 452,000 | \$ 562,000 |

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 2014 and the two preceding years were as follows:

| County: | | Percentage of | |
|-------------------|------------------|------------------------------|---------------------|
| Fiscal Year Ended | Annual OPEB Cost | Annual OPEB Cost Contributed | Net OPEB Obligation |
| 6/30/2014 | \$ 40,200 | 52% | \$ 110,000 |
| 6/30/2013 | 40,000 | 65% | 90,600 |
| 6/30/2012 | 67,300 | 76% | 76,600 |

| School Board: | | Percentage of | |
|----------------------|------------------|------------------------------|---------------------|
| Fiscal Year Ended | Annual OPEB Cost | Annual OPEB Cost Contributed | Net OPEB Obligation |
| 6/30/2014 | \$ 206,500 | 81% | \$ 452,000 |
| 6/30/2013 | 207,500 | 76% | 412,800 |
| 6/30/2012 | 272,700 | 91% | 363,300 |

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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

D. Funded Status and Funding Progress

Primary Government:

As of July 1, 2013, the most recent actuarial valuation date, the actuarial accrued liabilities (AAL) were \$357,800, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$3,244,400, and ratio of the UAAL to the covered payroll was 11.0%.

Component Unit - School Board:

As of July 1, 2013, the most recent actuarial valuation date, the actuarial accrued liabilities (AAL) were \$2,032,600, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$10,706,900, and ratio of the UAAL to the covered payroll was 19.0%.

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

E. Actuarial Methods and Assumptions

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

As of the most recent actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions included a 4.0 percent investment rate of return per annum. An annual healthcare cost trend rate of 10 percent initially, reduced by decrements of 0.5 percent until an ultimate rate of 5 percent is reached. The UAAL is being amortized as a level percentage over the remaining amortization period, which at July 1, 2013, was 15 years.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 11-Capital Assets:

Capital asset activity for the year ended June 30, 2014 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 | 28,155 | 227,837 | (65,001) | 190,991 |
| Total capital assets not being depreciated | <u>\$ 777,942</u> | <u>\$ 227,837</u> | <u>\$ (65,001)</u> | <u>\$ 940,778</u> |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | \$ 26,103,796 | \$ 17,171 | \$ - | \$ 26,120,967 |
| Machinery and equipment | 1,845,510 | 332,586 | (44,170) | 2,133,926 |
| Total capital assets being depreciated | <u>\$ 27,949,306</u> | <u>\$ 349,757</u> | <u>\$ (44,170)</u> | <u>\$ 28,254,893</u> |
| Accumulated depreciation: | | | | |
| Buildings and improvements | \$ (3,536,790) | \$ (607,100) | \$ - | \$ (4,143,890) |
| Machinery and equipment | (1,303,395) | (182,182) | 44,170 | (1,441,407) |
| Total accumulated depreciation | <u>\$ (4,840,185)</u> | <u>\$ (789,282)</u> | <u>\$ 44,170</u> | <u>\$ (5,585,297)</u> |
| Total capital assets being depreciated, net | <u>\$ 23,109,121</u> | <u>\$ (439,525)</u> | <u>\$ -</u> | <u>\$ 22,669,596</u> |
| Governmental activities capital assets, net | <u>\$ 23,887,063</u> | <u>\$ (211,688)</u> | <u>\$ (65,001)</u> | <u>\$ 23,610,374</u> |

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COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 11-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 | - | 120,014 | - | 120,014 |
| Total capital assets not being depreciated | <u>\$ 10,648</u> | <u>\$ 120,014</u> | <u>\$ -</u> | <u>\$ 130,662</u> |
| Capital assets, being depreciated: | | | | |
| Infrastructure | \$ 3,107,276 | \$ 9,025 | \$ - | \$ 3,116,301 |
| Machinery and equipment | 32,310 | - | - | 32,310 |
| Total capital assets being depreciated | <u>\$ 3,139,586</u> | <u>\$ 9,025</u> | <u>\$ -</u> | <u>\$ 3,148,611</u> |
| Accumulated depreciation: | | | | |
| Infrastructure | \$ (978,080) | \$ (78,971) | \$ - | \$ (1,057,051) |
| Machinery and equipment | (16,846) | (4,423) | - | (21,269) |
| Total accumulated depreciation | <u>\$ (994,926)</u> | <u>\$ (83,394)</u> | <u>\$ -</u> | <u>\$ (1,078,320)</u> |
| Total capital assets being depreciated, net | <u>\$ 2,144,660</u> | <u>\$ (74,369)</u> | <u>\$ -</u> | <u>\$ 2,070,291</u> |
| Business-type activities capital assets, net | <u><u>\$ 2,155,308</u></u> | <u><u>\$ 45,645</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 2,200,953</u></u> |

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

| | |
|---|--------------------------|
| Governmental activities: | |
| General government administration | \$ 64,183 |
| Judicial administration | 4,842 |
| Public safety | 86,404 |
| Public works | 108,846 |
| Health and welfare | 3,987 |
| Education | 443,219 |
| Parks, recreation, and culture | 9,224 |
| Community development | 68,577 |
| Total depreciation expense-governmental activities | <u><u>\$ 789,282</u></u> |
| Business-type activities: | |
| Water | \$ 83,394 |
| Total depreciation expense-business type activities | <u><u>\$ 83,394</u></u> |

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 11-Capital Assets: (Continued)

Capital asset activity for the School Board for the year ended June 30, 2014 was as follows:

Discretely Presented Component Unit:

| | Beginning Balance (as restated) | Increases | Decreases | Ending Balance |
|---|---------------------------------------|---------------------|---------------------|------------------------|
| Governmental Activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 144,690 | \$ - | \$ - | \$ 144,690 |
| Construction in progress | 178,465 | 158,430 | (336,895) | - |
| Total capital assets not being depreciated | <u>\$ 323,155</u> | <u>\$ 158,430</u> | <u>\$ (336,895)</u> | <u>\$ 144,690</u> |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | \$ 12,715,643 | \$ 504,688 | \$ - | \$ 13,220,331 |
| Machinery and equipment | 4,128,041 | 89,597 | (76,728) | 4,140,910 |
| Total capital assets being depreciated | <u>\$ 16,843,684</u> | <u>\$ 594,285</u> | <u>\$ (76,728)</u> | <u>\$ 17,361,241</u> |
| Accumulated depreciation: | | | | |
| Buildings and improvements | \$ (9,956,022) | \$ (359,267) | \$ - | \$ (10,315,289) |
| Machinery and equipment | (2,881,987) | (272,647) | 76,728 | (3,077,906) |
| Total accumulated depreciation | <u>\$ (12,838,009)</u> | <u>\$ (631,914)</u> | <u>\$ 76,728</u> | <u>\$ (13,393,195)</u> |
| Total capital assets being depreciated, net | <u>\$ 4,005,675</u> | <u>\$ (37,629)</u> | <u>\$ -</u> | <u>\$ 3,968,046</u> |
| Governmental activities capital assets, net | <u>\$ 4,328,830</u> | <u>\$ 120,801</u> | <u>\$ (336,895)</u> | <u>\$ 4,112,736</u> |

Note 12-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, 2014

Note 13-Contingent Liabilities:

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

Note 14-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 |
|---|------------|

Note 15-Landfill Closure and Postclosure Care Cost:

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site after closure. \$58,243 is the total estimated post-closure care liability at June 30, 2014. This represents the cumulative amount based on the use of 100% of the estimated capacity of the landfill and is based on what it would cost to perform all remaining closure and post-closure in 2014. Actual costs for post-closure monitoring may change due to inflation, deflation, changes in technology or changes in regulations.

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

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 16-Notes Receivable:

Primary Government:

Industrial Development Fund:

On June 5, 2008, the County loaned \$150,000 to US 58 Holdings LLC. The loan is payable in 120 monthly installments of \$1,380.21 starting with the first payment due on August 15, 2008. The note bears interest at the rate of 2%. The outstanding balance at June 30, 2014 was \$100,076. The note is delinquent as of June 30, 2014, but the County still expects full repayment.

On December 4th, 2012, the County loaned \$225,613 to Med-Fit Systems, Inc. The loan is payable in 40 quarterly installments of \$6,550 starting with the first payment due on August 1, 2013. The note bears interest at the rate of 3%. The outstanding balance at June 30, 2014 was \$210,931.

Community Development Fund:

On October 11, 2000, the County loaned \$200,000 to Grayson Investment, LLC. Interest only payments of 2% are due in annual installments for the first two years. Thereafter, principal and interest payments of \$3,505 are payable in 60 monthly installments until the entire principal balance, together with accrued interest, is paid in full. The outstanding balance at June 30, 2014 was \$64,247. The note is delinquent as of June 30, 2014, 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, 2014, the unfunded balance of the early retirement incentive plan totaled \$307,924.

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:

The County 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 County has funded a trust bank account with a balance of \$83,755 as of June 30, 2014 to fund these payments. The plan currently has one participant with an expected total payout of \$26,485 in monthly installments through January 2018.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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. Deferred/unavailable revenue is comprised of the following:

| | <u>Government-wide Statements Governmental Activities</u> | <u>Balance Sheet Governmental Funds</u> |
|--|---|---|
| Primary Government: | | |
| Deferred property tax revenue representing uncollected property tax billings that are not available for the funding of current expenditures. | \$ 10,298,148 | \$ 11,259,101 |
| Prepaid taxes relating to taxes due in a future period. | <u>35,910</u> | <u>35,910</u> |
| Total deferred/unavailable revenue | <u>\$ 10,334,058</u> | <u>\$ 11,295,011</u> |

Note 20-Litigation:

At June 30, 2014, 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:

At September 30, 2014, the County paid off in advance all of the loans in the business-type activities with a balance at June 30, 2014 of \$587,066.

Note 22-Pending GASB Statements:

The Governmental Accounting Standards Board has issued Statement No. 68, "Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not administered as trusts or equivalent arrangements. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014. The County believes the implementation of Statement No. 68 will significantly impact the County's net position; however, no formal study of estimate of the impact of this standard has been performed.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 23-Restatement of Beginning Balances:

Beginning fund balance and net position have been restated for the current fiscal year as detailed below:

| | <u>General Fund</u> | |
|---|---------------------|-------------------------|
| Ending fund balance, as previously reported | \$ | 9,258,767 |
| Adjustment to prior year CSA accounts payable | | (101,944) |
| Adjustment to prior year receivables | | <u>464,000</u> |
| Ending fund balance, as restated | \$ | <u><u>9,620,823</u></u> |

| | <u>Governmental Activities</u> | <u>Component-unit School Board</u> |
|---|------------------------------------|--|
| Ending net position, as previously reported | \$ 15,997,732 | \$ 4,469,537 |
| Adjustment to prior year CSA accounts payable | (101,944) | - |
| Adjustment to prior year receivables | 464,000 | - |
| Adjustment to record VRS obligation | (138,997) | - |
| Adjustment to capital assets | <u>-</u> | <u>(1,177,178)</u> |
| Ending net position, as restated | <u><u>\$ 16,220,791</u></u> | <u><u>\$ 3,292,359</u></u> |

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, 2014

| | Budgeted Amounts | | Actual | Variance with Final Budget - Positive (Negative) |
|---|----------------------|----------------------|----------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Amounts</u> | <u>(Negative)</u> |
| REVENUES | | | | |
| General property taxes | \$ 9,298,000 | \$ 9,298,000 | \$ 9,911,906 | \$ 613,906 |
| Other local taxes | 1,126,628 | 1,126,628 | 1,176,665 | 50,037 |
| Permits, privilege fees, and regulatory licenses | 76,000 | 76,000 | 87,650 | 11,650 |
| Fines and forfeitures | 20,000 | 25,330 | 20,089 | (5,241) |
| Revenue from the use of money and property | 52,000 | 52,000 | 15,011 | (36,989) |
| Charges for services | 1,419,500 | 1,425,787 | 1,546,213 | 120,426 |
| Miscellaneous | 199,336 | 324,120 | 154,030 | (170,090) |
| Recovered costs | 352,500 | 352,500 | 494,824 | 142,324 |
| Intergovernmental: | | | | |
| Commonwealth | 3,881,325 | 4,135,750 | 4,029,080 | (106,670) |
| Federal | 1,619,206 | 1,646,388 | 1,326,358 | (320,030) |
| Total revenues | <u>\$ 18,044,495</u> | <u>\$ 18,462,503</u> | <u>\$ 18,761,826</u> | <u>\$ 299,323</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government administration | \$ 1,445,966 | \$ 1,393,393 | \$ 1,334,380 | \$ 59,013 |
| Judicial administration | 978,506 | 991,080 | 846,279 | 144,801 |
| Public safety | 3,482,435 | 3,769,930 | 3,625,690 | 144,240 |
| Public works | 1,638,579 | 1,718,310 | 1,689,509 | 28,801 |
| Health and welfare | 2,774,762 | 2,774,762 | 2,900,826 | (126,064) |
| Education | 4,881,236 | 4,881,236 | 5,227,702 | (346,466) |
| Parks, recreation, and cultural | 464,103 | 464,694 | 440,943 | 23,751 |
| Community development | 983,169 | 797,373 | 770,461 | 26,912 |
| Capital projects | 678,729 | 954,715 | 40,057 | 914,658 |
| Debt service: | | | | |
| Principal retirement | 126,234 | 126,234 | 112,865 | 13,369 |
| Interest and other fiscal charges | 573,766 | 573,766 | 513,000 | 60,766 |
| Total expenditures | <u>\$ 18,027,485</u> | <u>\$ 18,445,493</u> | <u>\$ 17,501,712</u> | <u>\$ 943,781</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ 17,010</u> | <u>\$ 17,010</u> | <u>\$ 1,260,114</u> | <u>\$ 1,243,104</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | \$ - | \$ - | \$ 207,051 | \$ 207,051 |
| Transfers out | (46,100) | (46,100) | (70,910) | (24,810) |
| Total other financing sources (uses) | <u>\$ (46,100)</u> | <u>\$ (46,100)</u> | <u>\$ 136,141</u> | <u>\$ 182,241</u> |
| Net change in fund balances | \$ (29,090) | \$ (29,090) | \$ 1,396,255 | \$ 1,425,345 |
| Fund balances - beginning, as restated | 29,090 | 29,090 | 9,620,823 | 9,591,733 |
| Fund balances - ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 11,017,078</u> | <u>\$ 11,017,078</u> |

County of Grayson, Virginia
Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2014

| | Community Development | | | |
|--|-----------------------|--------------|---------------------------|---|
| | Budgeted Amounts | | | Variance with Final Budget - Positive (Negative) |
| | <u>Original</u> | <u>Final</u> | <u>Actual Amounts</u> | |
| REVENUES | | | | |
| Revenue from the use of money and property | \$ - | \$ - | \$ 700 | \$ 700 |
| Total revenues | \$ - | \$ - | \$ 700 | \$ 700 |
| EXPENDITURES | | | | |
| Total expenditures | \$ - | \$ - | \$ - | \$ - |
| Excess (deficiency) of revenues over (under) expenditures | \$ - | \$ - | \$ 700 | \$ 700 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | \$ - | \$ - | \$ 7 | \$ 7 |
| Total other financing sources (uses) | \$ - | \$ - | \$ 7 | \$ 7 |
| Net change in fund balances | \$ - | \$ - | \$ 707 | \$ 707 |
| Fund balances - beginning | - | - | 438,769 | 438,769 |
| Fund balances - ending | \$ - | \$ - | \$ 439,476 | \$ 439,476 |

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, 2014

| | Industrial Development | | | |
|--|------------------------|--------------|----------------|---|
| | Budgeted Amounts | | Actual | Variance with Final Budget - Positive (Negative) |
| | <u>Original</u> | <u>Final</u> | <u>Amounts</u> | |
| REVENUES | | | | |
| Miscellaneous | \$ - | \$ - | \$ 5,270 | \$ 5,270 |
| Total revenues | \$ - | \$ - | \$ 5,270 | \$ 5,270 |
| EXPENDITURES | | | | |
| Total expenditures | \$ - | \$ - | \$ - | \$ - |
| Excess (deficiency) of revenues over (under) expenditures | \$ - | \$ - | \$ 5,270 | \$ 5,270 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | \$ - | \$ - | \$ (34) | \$ (34) |
| Total other financing sources (uses) | \$ - | \$ - | \$ (34) | \$ (34) |
| Net change in fund balances | \$ - | \$ - | \$ 5,236 | \$ 5,236 |
| Fund balances - beginning | - | - | 621,076 | 621,076 |
| Fund balances - ending | \$ - | \$ - | \$ 626,312 | \$ 626,312 |

County of Grayson, Virginia
Schedule of Pension and OPEB Funding Progress
For the Year Ended June 30, 2014

Primary Government:
County Retirement Plan

| Actuarial Valuation as of | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Unfunded AAL (UAAL) (3) - (2) | Funded Ratio (2)/(3) | Covered Payroll | UAAL as a % of Covered Payroll (4)/(6) |
|---------------------------------|---------------------------------|---|-------------------------------------|-------------------------|--------------------|--|
| (1) | (2) | (3) | (4) | (5) | (6) | (7) |
| June 30, 2013 | \$ 13,451,329 | \$ 20,356,167 | \$ 6,904,838 | 66.08% | \$ 3,346,000 | 206.36% |
| June 30, 2012 | 13,314,491 | 20,322,208 | 7,007,717 | 65.52% | 3,382,657 | 207.17% |
| June 30, 2011 | 13,726,308 | 19,925,559 | 6,199,251 | 68.89% | 3,381,756 | 183.31% |

County Postemployment Healthcare Plan

| Actuarial Valuation as of | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Unfunded AAL (UAAL) (3) - (2) | Funded Ratio (2)/(3) | Covered Payroll | UAAL as a % of Covered Payroll (4)/(6) |
|---------------------------------|---------------------------------|---|-------------------------------------|-------------------------|--------------------|--|
| (1) | (2) | (3) | (4) | (5) | (6) | (7) |
| July 1, 2013 | \$ - | \$ 357,800 | \$ 357,800 | 0.00% | \$ 3,244,400 | 11.0% |
| July 1, 2012 | - | 353,700 | 353,700 | 0.00% | 3,165,300 | 11.2% |
| July 1, 2011 | - | 403,300 | 403,300 | 0.00% | 3,466,000 | 11.6% |

Discretely Presented Component Unit:
School Board Non-Professional Retirement Plan

| Actuarial Valuation as of | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Unfunded AAL (UAAL) (3) - (2) | Funded Ratio (2)/(3) | Covered Payroll | UAAL as a % of Covered Payroll (4)/(6) |
|---------------------------------|---------------------------------|---|-------------------------------------|-------------------------|--------------------|--|
| (1) | (2) | (3) | (4) | (5) | (6) | (7) |
| June 30, 2013 | \$ 3,909,171 | \$ 4,966,171 | \$ 1,057,000 | 78.72% | \$ 1,210,620 | 87.31% |
| June 30, 2012 | 3,760,947 | 4,952,122 | 1,191,175 | 75.95% | 1,204,098 | 98.93% |
| June 30, 2011 | 3,764,341 | 4,712,192 | 947,851 | 79.89% | 1,195,932 | 79.26% |

School Board Postemployment Healthcare Plan

| Actuarial Valuation as of | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Unfunded AAL (UAAL) (3) - (2) | Funded Ratio (2)/(3) | Covered Payroll | UAAL as a % of Covered Payroll (4)/(6) |
|---------------------------------|---------------------------------|---|-------------------------------------|-------------------------|--------------------|--|
| (1) | (2) | (3) | (4) | (5) | (6) | (7) |
| July 1, 2013 | \$ - | \$ 2,032,600 | \$ 2,032,600 | 0.00% | \$ 10,706,900 | 18.98% |
| July 1, 2012 | - | 2,044,000 | 2,044,000 | 0.00% | 10,445,800 | 19.57% |
| July 1, 2011 | - | 2,617,800 | 2,617,800 | 0.00% | 11,019,600 | 23.76% |

Other Supplementary Information

County of Grayson, Virginia
 Capital Projects Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2014

| | School Construction Fund | | | |
|---|--------------------------|-------|--------------|------------------------------------|
| | Budgeted Amounts | | Actual | Variance with |
| | Original | Final | Amounts | Final Budget - Positive (Negative) |
| REVENUES | | | | |
| Revenue from the use of money and property | \$ - | \$ - | \$ 237 | \$ 237 |
| Total revenues | \$ - | \$ - | \$ 237 | \$ 237 |
| EXPENDITURES | | | | |
| Total expenditures | \$ - | \$ - | \$ - | \$ - |
| Excess (deficiency) of revenues over (under) expenditures | \$ - | \$ - | \$ 237 | \$ 237 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | \$ - | \$ - | \$ (207,017) | \$ (207,017) |
| Net change in fund balances | \$ - | \$ - | \$ (206,780) | \$ (206,780) |
| Fund balances - beginning | - | - | 206,780 | 206,780 |
| Fund balances - ending | \$ - | \$ - | \$ - | \$ - |

County of Grayson, Virginia
Combining Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

| | Agency Funds | | | | Total |
|---|----------------------------|--------------------------|-------------|-----------------------------|------------|
| | <u>Special Welfare</u> | <u>Building Code</u> | <u>ASAP</u> | <u>Regional Library</u> | |
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 10,006 | \$ 374 | \$ 192,968 | \$ 79,186 | \$ 282,534 |
| Investments | - | - | 172,079 | - | 172,079 |
| Total assets | \$ 10,006 | \$ 374 | \$ 365,047 | \$ 79,186 | \$ 454,613 |
| | | | | | |
| LIABILITIES | | | | | |
| Amounts held for social services clients | \$ 10,006 | - | - | - | \$ 10,006 |
| Amounts held for subsequent remittance to State for surcharge | - | 374 | - | - | 374 |
| Amounts held for Mt. Rogers Alcohol Safety Action Program | - | - | 365,047 | - | 365,047 |
| Amounts held for Grayson Regional Library | - | - | - | 79,186 | 79,186 |
| Total liabilities | \$ 10,006 | \$ 374 | \$ 365,047 | \$ 79,186 | \$ 454,613 |

County of Grayson, Virginia
Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2014

| | School Operating <u>Fund</u> |
|--|------------------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 663,624 |
| Receivables (net of allowance for uncollectibles): | |
| Accounts receivable | 212,680 |
| Due from other governmental units | 1,311,297 |
| Prepaid items | 200,225 |
| Total assets | <u>\$ 2,387,826</u> |
| LIABILITIES AND FUND BALANCES | |
| Liabilities: | |
| Accounts payable | \$ 571,157 |
| Accrued salaries | 805,475 |
| Due to primary government | 1,011,194 |
| Total liabilities | <u>\$ 2,387,826</u> |
| Fund balances: | |
| Nonspendable | |
| Prepaid items | \$ 200,225 |
| Committed | |
| Cafeteria | 220 |
| Unassigned | (200,445) |
| Total fund balances | <u>\$ -</u> |
| Total liabilities and fund balances | <u>\$ 2,387,826</u> |
| Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because: | |
| Total fund balances per above | \$ - |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | |
| Land | |
| Buildings and improvements | |
| Machinery and equipment | 4,112,736 |
| 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 | |
| Net OPEB obligation | |
| ERIP liability | (1,273,925) |
| Net position of governmental activities | <u>\$ 2,838,811</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, 2014

| | School Operating Fund |
|--|-----------------------------|
| REVENUES | |
| Revenue from the use of money and property | \$ 28 |
| Charges for services | 248,987 |
| Miscellaneous | 464,988 |
| Recovered costs | 467,499 |
| Intergovernmental: | |
| Local government | 5,207,749 |
| Commonwealth | 11,643,463 |
| Federal | 3,509,624 |
| Total revenues | <u>\$ 21,542,338</u> |
| EXPENDITURES | |
| Current: | |
| Education | \$ 21,542,758 |
| Total expenditures | <u>\$ 21,542,758</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ (420)</u> |
| Net change in fund balances | \$ (420) |
| Fund balances - beginning | 420 |
| Fund balances - ending | <u><u>\$ -</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 | \$ (420) |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation exceeded capital outlay in the current period. | |
| Capital outlay | \$ 415,820 |
| Depreciation expense | <u>(631,914)</u> |
| | (216,094) |
| 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. | |
| Decrease (increase) in compensated absences | \$ (267,002) |
| Decrease (increase) in net OPEB obligation | (39,200) |
| Decrease (increase) in ERIP liability | <u>69,168</u> |
| | (237,034) |
| Change in net position of governmental activities | <u><u>\$ (453,548)</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, 2014

| | School Operating Fund | | | Variance with Final Budget Positive (Negative) |
|---|-----------------------|---------------|---------------|---|
| | Budgeted Amounts | | Actual | |
| | Original | Final | | |
| REVENUES | | | | |
| Revenue from the use of money and property | \$ - | \$ - | \$ 28 | \$ 28 |
| Charges for services | - | - | 248,987 | 248,987 |
| Miscellaneous | 394,132 | 394,132 | 464,988 | 70,856 |
| Recovered costs | 458,500 | 458,500 | 467,499 | 8,999 |
| Intergovernmental: | | | | |
| Local government | 4,684,612 | 4,684,612 | 5,207,749 | 523,137 |
| Commonwealth | 11,865,329 | 11,865,329 | 11,643,463 | (221,866) |
| Federal | 3,094,100 | 3,094,100 | 3,509,624 | 415,524 |
| Total revenues | \$ 20,496,673 | \$ 20,496,673 | \$ 21,542,338 | \$ 1,045,665 |
| EXPENDITURES | | | | |
| Current: | | | | |
| Education | \$ 20,496,673 | \$ 20,496,673 | \$ 21,542,758 | \$ (1,046,085) |
| Total expenditures | \$ 20,496,673 | \$ 20,496,673 | \$ 21,542,758 | \$ (1,046,085) |
| Excess (deficiency) of revenues over (under) expenditures | \$ - | \$ - | \$ (420) | \$ (420) |
| Net change in fund balances | \$ - | \$ - | \$ (420) | \$ (420) |
| Fund balances - beginning | - | - | 420 | 420 |
| Fund balances - ending | \$ - | \$ - | \$ - | \$ - |

SUPPORTING SCHEDULES

County of Grayson, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

Schedule 1
Page 1 of 5

| <u>Fund, Major and Minor Revenue Source</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|--|----------------------------|-------------------------|---------------|---|
| General Fund: | | | | |
| Revenue from local sources: | | | | |
| General property taxes: | | | | |
| Real property taxes | \$ 7,700,000 | \$ 7,700,000 | \$ 8,062,647 | \$ 362,647 |
| Real and personal public service corporation taxes | 160,000 | 160,000 | 201,259 | 41,259 |
| Personal property taxes | 1,185,000 | 1,185,000 | 1,231,866 | 46,866 |
| Mobile home taxes | 23,000 | 23,000 | 22,957 | (43) |
| Machinery and tools taxes | 80,000 | 80,000 | 118,968 | 38,968 |
| Merchant's capital | 35,000 | 35,000 | 43,132 | 8,132 |
| Penalties | 50,000 | 50,000 | 96,055 | 46,055 |
| Interest | 65,000 | 65,000 | 135,022 | 70,022 |
| Total general property taxes | \$ 9,298,000 | \$ 9,298,000 | \$ 9,911,906 | \$ 613,906 |
| Other local taxes: | | | | |
| Local sales and use taxes | \$ 384,628 | \$ 384,628 | \$ 386,855 | \$ 2,227 |
| Consumers' utility taxes | 335,000 | 335,000 | 340,661 | 5,661 |
| Consumption taxes | 35,000 | 35,000 | 36,985 | 1,985 |
| Motor vehicle licenses | 285,000 | 285,000 | 281,781 | (3,219) |
| Recordation taxes | 56,000 | 56,000 | 99,109 | 43,109 |
| Hotel and motel room taxes | 20,000 | 20,000 | 21,875 | 1,875 |
| Bank stock tax | 11,000 | 11,000 | 9,399 | (1,601) |
| Total other local taxes | \$ 1,126,628 | \$ 1,126,628 | \$ 1,176,665 | \$ 50,037 |
| Permits, privilege fees, and regulatory licenses: | | | | |
| Animal licenses | \$ 8,000 | \$ 8,000 | \$ 10,755 | \$ 2,755 |
| Zoning permits | 2,500 | 2,500 | 3,451 | 951 |
| Transfer fees | 500 | 500 | 734 | 234 |
| Erosion control | - | - | 2,763 | 2,763 |
| Building permits | 65,000 | 65,000 | 69,947 | 4,947 |
| Total permits, privilege fees, and regulatory licenses | \$ 76,000 | \$ 76,000 | \$ 87,650 | \$ 11,650 |
| Fines and forfeitures: | | | | |
| Court fines and forfeitures | \$ 20,000 | \$ 25,330 | \$ 20,089 | \$ (5,241) |
| Revenue from use of money and property: | | | | |
| Revenue from use of money | \$ 10,000 | \$ 10,000 | \$ 8,321 | \$ (1,679) |
| Revenue from use of property | 42,000 | 42,000 | 6,690 | (35,310) |
| Total revenue from use of money and property | \$ 52,000 | \$ 52,000 | \$ 15,011 | \$ (36,989) |
| Charges for services: | | | | |
| Charges for trash fees | \$ 1,061,500 | \$ 1,061,500 | \$ 1,119,781 | \$ 58,281 |
| Charges for sanitation and waste removal | 252,000 | 252,000 | 308,287 | 56,287 |
| Charges for recycling | 45,000 | 50,696 | 42,678 | (8,018) |
| Charges for parks and recreation | 50,000 | 50,591 | 58,255 | 7,664 |
| Charges for courtroom security | 10,000 | 10,000 | 11,247 | 1,247 |
| Charges for Commonwealth's Attorney | 1,000 | 1,000 | 3,065 | 2,065 |
| Charges for courthouse maintenance | - | - | 2,900 | 2,900 |
| Total charges for services | \$ 1,419,500 | \$ 1,425,787 | \$ 1,546,213 | \$ 120,426 |

County of Grayson, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

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 revenue: | | | | |
| Miscellaneous | \$ 199,336 | \$ 324,120 | \$ 154,030 | \$ (170,090) |
| Recovered costs: | | | | |
| City of Galax | \$ 280,000 | \$ 280,000 | \$ 311,112 | \$ 31,112 |
| School resource officer | 40,000 | 40,000 | 64,954 | 24,954 |
| DSS | 25,000 | 25,000 | 70,563 | 45,563 |
| VASAP | 7,500 | 7,500 | 6,355 | (1,145) |
| Other recovered costs | - | - | 41,840 | 41,840 |
| Total recovered costs | \$ 352,500 | \$ 352,500 | \$ 494,824 | \$ 142,324 |
| Total revenue from local sources | \$ 12,543,964 | \$ 12,680,365 | \$ 13,406,388 | \$ 726,023 |
| Intergovernmental: | | | | |
| Revenue from the Commonwealth: | | | | |
| Noncategorical aid: | | | | |
| Motor vehicle rolling stock tax | \$ 500 | \$ 500 | \$ 129 | \$ (371) |
| Mobile home titling tax | 7,000 | 7,000 | 16,069 | 9,069 |
| Motor vehicle rental tax | 500 | 500 | 491 | (9) |
| Grantor's tax | 10,000 | 10,000 | 27,562 | 17,562 |
| Communication tax | 350,000 | 350,000 | 382,905 | 32,905 |
| Personal property tax relief funds | 437,000 | 437,000 | 437,787 | 787 |
| Total noncategorical aid | \$ 805,000 | \$ 805,000 | \$ 864,943 | \$ 59,943 |
| Categorical aid: | | | | |
| Shared expenses: | | | | |
| Commonwealth's attorney | \$ 287,347 | \$ 287,347 | \$ 220,641 | \$ (66,706) |
| Sheriff | 952,326 | 952,326 | 947,204 | (5,122) |
| Commissioner of revenue | 81,982 | 81,982 | 82,419 | 437 |
| Treasurer | 95,324 | 95,324 | 91,247 | (4,077) |
| Registrar/electoral board | 36,500 | 36,500 | 36,689 | 189 |
| Clerk of the Circuit Court | 212,380 | 212,380 | 238,542 | 26,162 |
| Total shared expenses | \$ 1,665,859 | \$ 1,665,859 | \$ 1,616,742 | \$ (49,117) |
| Other categorical aid: | | | | |
| Public assistance and welfare administration | \$ 659,564 | \$ 659,564 | \$ 729,478 | \$ 69,914 |
| Comprehensive services act | 553,000 | 553,000 | 466,415 | (86,585) |
| VJCCA | 71,470 | 77,779 | 67,083 | (10,696) |
| Fire programs | 35,000 | 64,918 | 41,818 | (23,100) |
| EMS grants | 30,000 | 44,983 | 14,983 | (30,000) |
| Victim witness | 28,932 | 28,932 | 28,932 | - |
| Law enforcement grants | 22,500 | 225,715 | 34,323 | (191,392) |
| Tourism grant | 2,000 | 2,000 | - | (2,000) |
| Litter grant | 6,000 | 6,000 | 7,363 | 1,363 |
| Arts and humanities grant | 2,000 | 2,000 | 2,000 | - |
| Industrial development grants | - | - | 155,000 | 155,000 |
| Total other categorical aid | \$ 1,410,466 | \$ 1,664,891 | \$ 1,547,395 | \$ (117,496) |
| Total categorical aid | \$ 3,076,325 | \$ 3,330,750 | \$ 3,164,137 | \$ (166,613) |
| Total revenue from the Commonwealth | \$ 3,881,325 | \$ 4,135,750 | \$ 4,029,080 | \$ (106,670) |

County of Grayson, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

Schedule 1
Page 3 of 5

| <u>Fund, Major and Minor Revenue Source</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|--|----------------------------|-------------------------|---------------|---|
| General Fund: (Continued) | | | | |
| Intergovernmental: (Continued) | | | | |
| Revenue from the federal government: | | | | |
| Non-categorical aid: | | | | |
| Payments in lieu of taxes | \$ 10,000 | \$ 10,000 | \$ 19,412 | \$ 9,412 |
| Categorical aid: | | | | |
| Public assistance and welfare administration | \$ 930,477 | \$ 930,477 | \$ 1,029,109 | \$ 98,632 |
| Emergency preparedness | - | - | 29,430 | 29,430 |
| Law enforcement grants | - | - | 150,526 | 150,526 |
| Rural development vehicle grant | - | - | 25,000 | 25,000 |
| Asset forfeitures | - | - | 8,217 | 8,217 |
| Stormwater grants | - | 27,182 | 34,030 | 6,848 |
| Comprehensive services act | - | - | 2,912 | 2,912 |
| Greenway improvement grants | 678,729 | 678,729 | 27,722 | (651,007) |
| Total categorical aid | \$ 1,609,206 | \$ 1,636,388 | \$ 1,306,946 | \$ (329,442) |
| Total revenue from the federal government | \$ 1,619,206 | \$ 1,646,388 | \$ 1,326,358 | \$ (320,030) |
| Total General Fund | \$ 18,044,495 | \$ 18,462,503 | \$ 18,761,826 | \$ 299,323 |
| Special Revenue Funds: | | | | |
| Community Development Fund: | | | | |
| Revenue from local sources: | | | | |
| Revenue from use of money and property: | | | | |
| Revenue from the use of money | \$ - | \$ - | \$ 700 | \$ 700 |
| Total revenue from local sources | \$ - | \$ - | \$ 700 | \$ 700 |
| Total Community Development Fund | \$ - | \$ - | \$ 700 | \$ 700 |
| Industrial Development Fund: | | | | |
| Revenue from local sources: | | | | |
| Miscellaneous revenue: | | | | |
| Other miscellaneous | \$ - | \$ - | \$ 5,270 | \$ 5,270 |
| Total revenue from local sources | \$ - | \$ - | \$ 5,270 | \$ 5,270 |
| Total Industrial Development Fund | \$ - | \$ - | \$ 5,270 | \$ 5,270 |
| Capital Projects Fund: | | | | |
| School Construction Fund: | | | | |
| Revenue from local sources: | | | | |
| Revenue from use of money and property: | | | | |
| Revenue from the use of money | \$ - | \$ - | \$ 237 | \$ 237 |
| Total School Construction Fund | \$ - | \$ - | \$ 237 | \$ 237 |
| Total Primary Government | \$ 18,044,495 | \$ 18,462,503 | \$ 18,768,033 | \$ 305,530 |

County of Grayson, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

Schedule 1
Page 4 of 5

| <u>Fund, Major and Minor Revenue Source</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|---|----------------------------|-------------------------|---------------|---|
| 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 | \$ - | \$ - | \$ 28 | \$ 28 |
| Charges for services: | | | | |
| Cafeteria sales | \$ - | \$ - | \$ 248,987 | \$ 248,987 |
| Miscellaneous revenue: | | | | |
| Other miscellaneous | \$ 394,132 | \$ 394,132 | \$ 464,988 | \$ 70,856 |
| Recovered costs: | | | | |
| Dual credit | \$ 328,000 | \$ 328,000 | \$ 265,805 | \$ (62,195) |
| Other recovered costs | 130,500 | 130,500 | 201,694 | 71,194 |
| Total recovered costs | \$ 458,500 | \$ 458,500 | \$ 467,499 | \$ 8,999 |
| Total revenue from local sources | \$ 852,632 | \$ 852,632 | \$ 1,181,502 | \$ 328,870 |
| Intergovernmental: | | | | |
| Revenues from local governments: | | | | |
| Contribution from County of Grayson, Virginia | \$ 4,684,612 | \$ 4,684,612 | \$ 5,207,749 | \$ 523,137 |
| Revenue from the Commonwealth: | | | | |
| Categorical aid: | | | | |
| Share of state sales tax | \$ 2,098,190 | \$ 2,098,190 | \$ 2,021,458 | \$ (76,732) |
| Basic school aid | 5,891,640 | 5,891,640 | 5,786,545 | (105,095) |
| Remedial summer education | 71,339 | 71,339 | 77,909 | 6,570 |
| ISAP | 7,859 | 7,859 | 8,754 | 895 |
| Gifted and talented | 54,255 | 54,255 | 53,161 | (1,094) |
| Remedial education | 229,994 | 229,994 | 225,355 | (4,639) |
| Special education | 706,493 | 706,493 | 692,245 | (14,248) |
| Textbook payment | 105,832 | 105,832 | 103,698 | (2,134) |
| School nutrition | 59,005 | 59,005 | 54,808 | (4,197) |
| Vocational standards of quality payments | 195,789 | 195,789 | 191,841 | (3,948) |
| Vocational adult education | - | - | 767 | 767 |
| Vocational education equipment | - | - | 5,137 | 5,137 |
| Social security fringe benefits | 389,220 | 389,220 | 381,370 | (7,850) |
| Retirement fringe benefits | 648,700 | 648,700 | 635,617 | (13,083) |
| Group life insurance fringe benefit | 24,769 | 24,769 | 24,269 | (500) |
| Early reading intervention | 20,653 | 20,653 | 39,240 | 18,587 |
| Special education - Homebound | 21,673 | 21,673 | 26,275 | 4,602 |
| Special education - tuition | 154,870 | 154,870 | 104,152 | (50,718) |
| Vocational occupational preparedness | 28,962 | 28,962 | 24,353 | (4,609) |
| At risk payments | 295,951 | 295,951 | 289,849 | (6,102) |
| At risk four year olds | 130,977 | 130,977 | 130,977 | - |
| Primary class size | 139,681 | 139,681 | 145,962 | 6,281 |
| Technology | 258,000 | 258,000 | 258,000 | - |
| Standards of Learning algebra readiness | 29,601 | 29,601 | 27,536 | (2,065) |

County of Grayson, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

Schedule 1
Page 5 of 5

| <u>Fund, Major and Minor Revenue Source</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|---|----------------------------|-------------------------|----------------------|---|
| Discretely Presented Component Unit - School Board: (Continued) | | | | |
| School Operating Fund: (Continued) | | | | |
| Intergovernmental: (Continued) | | | | |
| Revenue from the Commonwealth: (Continued) | | | | |
| Categorical aid: (Continued) | | | | |
| Salary supplement | \$ 248,980 | \$ 248,980 | \$ 245,944 | \$ (3,036) |
| English as a second language | 22,087 | 22,087 | 16,960 | (5,127) |
| Other categorical aid | 30,809 | 30,809 | 71,281 | 40,472 |
| Total categorical aid | <u>\$ 11,865,329</u> | <u>\$ 11,865,329</u> | <u>\$ 11,643,463</u> | <u>\$ (221,866)</u> |
| Total revenue from the Commonwealth | <u>\$ 11,865,329</u> | <u>\$ 11,865,329</u> | <u>\$ 11,643,463</u> | <u>\$ (221,866)</u> |
| Revenue from the federal government: | | | | |
| Categorical aid: | | | | |
| Forest reserve fund | \$ - | \$ - | \$ 64,315 | \$ 64,315 |
| Title I | 649,910 | 649,910 | 640,335 | (9,575) |
| ARRA - 1003 g school improvement | - | - | 154,883 | 154,883 |
| Title VI-B, special education flow-through | 463,938 | 463,938 | 629,206 | 165,268 |
| Title VI-B, special education pre-school | 22,008 | 22,008 | 23,040 | 1,032 |
| Language acquisition | 3,565 | 3,565 | - | (3,565) |
| 21st century learning grants | 994,179 | 994,179 | 1,030,313 | 36,134 |
| Migrant education | 4,210 | 4,210 | 4,210 | - |
| National school breakfast program | 186,910 | 186,910 | 186,910 | - |
| National school lunch breakfast program | 569,832 | 569,832 | 571,057 | 1,225 |
| Improving teacher quality | 112,858 | 112,858 | 113,053 | 195 |
| Perkins vocational education | 50,000 | 50,000 | 80,242 | 30,242 |
| Title VI, rural and low income school administration | 36,690 | 36,690 | 12,060 | (24,630) |
| Total categorical aid | <u>\$ 3,094,100</u> | <u>\$ 3,094,100</u> | <u>\$ 3,509,624</u> | <u>\$ 415,524</u> |
| Total revenue from the federal government | <u>\$ 3,094,100</u> | <u>\$ 3,094,100</u> | <u>\$ 3,509,624</u> | <u>\$ 415,524</u> |
| Total School Operating Fund | <u>\$ 20,496,673</u> | <u>\$ 20,496,673</u> | <u>\$ 21,542,338</u> | <u>\$ 1,045,665</u> |
| Total Discretely Presented Component Unit - School Board | <u>\$ 20,496,673</u> | <u>\$ 20,496,673</u> | <u>\$ 21,542,338</u> | <u>\$ 1,045,665</u> |

County of Grayson, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

Schedule 2
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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 | \$ 57,751 | \$ 56,663 | \$ 84,177 | \$ (27,514) |
| General and financial administration: | | | | |
| County administrator | \$ 449,752 | \$ 398,051 | \$ 362,151 | \$ 35,900 |
| Audit services | 62,000 | 87,350 | 83,432 | 3,918 |
| Legal services | 40,000 | 62,700 | 76,780 | (14,080) |
| Commissioner of revenue | 261,694 | 259,250 | 249,161 | 10,089 |
| Assessor | 19,000 | 19,000 | - | 19,000 |
| Treasurer | 297,743 | 286,803 | 295,578 | (8,775) |
| IT/Web Hosting | 52,566 | 52,566 | 51,783 | 783 |
| Other general and financial administration | 63,000 | 23,933 | 4,334 | 19,599 |
| Total general and financial administration | \$ 1,245,755 | \$ 1,189,653 | \$ 1,123,219 | \$ 66,434 |
| Board of elections: | | | | |
| Registrar | \$ 59,835 | \$ 62,577 | \$ 46,459 | \$ 16,118 |
| Electoral board and officials | 82,625 | 84,500 | 80,525 | 3,975 |
| Total board of elections | \$ 142,460 | \$ 147,077 | \$ 126,984 | \$ 20,093 |
| Total general government administration | \$ 1,445,966 | \$ 1,393,393 | \$ 1,334,380 | \$ 59,013 |
| Judicial administration: | | | | |
| Courts: | | | | |
| Circuit court | \$ 13,300 | \$ 16,505 | 16,468 | \$ 37 |
| General district court | 8,450 | 8,450 | 6,890 | 1,560 |
| Special magistrates | 1,650 | 1,650 | 410 | 1,240 |
| Juvenile and domestic relations court | 40,000 | 40,000 | 31,637 | 8,363 |
| VJCCA | 20,900 | 21,073 | 13,761 | 7,312 |
| Courtroom Security | 39,090 | 39,090 | 28,137 | 10,953 |
| Law library | 4,000 | 4,000 | 661 | 3,339 |
| Community | 52,246 | 57,553 | 56,814 | 739 |
| Shoplifting | 227 | 227 | 98 | 129 |
| Substance | 1,455 | 1,877 | 1,921 | (44) |
| Anger | 2,908 | 3,315 | 3,315 | - |
| VASAP | - | - | 32,903 | (32,903) |
| Clerk of the circuit court | 360,894 | 363,689 | 320,164 | 43,525 |
| Total courts | \$ 545,120 | \$ 557,429 | \$ 513,179 | \$ 44,250 |
| Commonwealth's attorney: | | | | |
| Commonwealth's attorney | \$ 385,290 | \$ 385,290 | \$ 287,545 | \$ 97,745 |
| Victim witness | 48,096 | 48,361 | 45,555 | 2,806 |
| Total commonwealth's attorney | \$ 433,386 | \$ 433,651 | \$ 333,100 | \$ 100,551 |
| Total judicial administration | \$ 978,506 | \$ 991,080 | \$ 846,279 | \$ 144,801 |
| Public safety: | | | | |
| Law enforcement and traffic control: | | | | |
| Sheriff | \$ 2,010,186 | \$ 2,252,990 | \$ 2,151,260 | \$ 101,730 |

County of Grayson, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

Schedule 2
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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) | | | | |
| Fire and rescue services: | | | | |
| Volunteer fire department | \$ 198,613 | \$ 228,531 | \$ 234,025 | \$ (5,494) |
| Ambulance and rescue services | 190,385 | 205,368 | 204,335 | 1,033 |
| E-911 fund | 178,586 | 178,586 | 169,360 | 9,226 |
| Total fire and rescue services | <u>\$ 567,584</u> | <u>\$ 612,485</u> | <u>\$ 607,720</u> | <u>\$ 4,765</u> |
| Correction and detention: | | | | |
| Regional jail payments | <u>\$ 600,000</u> | <u>\$ 600,000</u> | <u>\$ 594,035</u> | <u>\$ 5,965</u> |
| Inspections: | | | | |
| Building | <u>\$ 131,651</u> | <u>\$ 126,643</u> | <u>\$ 114,636</u> | <u>\$ 12,007</u> |
| Other protection: | | | | |
| Animal warden | \$ 106,592 | \$ 106,589 | \$ 102,971 | \$ 3,618 |
| Day report | 55,422 | 60,223 | 50,783 | 9,440 |
| Medical examiner | 1,000 | 1,000 | 320 | 680 |
| Emergency services | 10,000 | 10,000 | 3,965 | 6,035 |
| Total other protection | <u>\$ 173,014</u> | <u>\$ 177,812</u> | <u>\$ 158,039</u> | <u>\$ 19,773</u> |
| Total public safety | <u>\$ 3,482,435</u> | <u>\$ 3,769,930</u> | <u>\$ 3,625,690</u> | <u>\$ 144,240</u> |
| Public works: | | | | |
| Sanitation and waste removal: | | | | |
| Refuse collection | \$ 786,406 | \$ 833,224 | \$ 821,503 | \$ 11,721 |
| Refuse disposal | 342,500 | 342,500 | 346,703 | (4,203) |
| Recycling program | 112,822 | 112,822 | 114,150 | (1,328) |
| Stormwater maintenance | - | 36,240 | 27,779 | 8,461 |
| Total sanitation and waste removal | <u>\$ 1,241,728</u> | <u>\$ 1,324,786</u> | <u>\$ 1,310,135</u> | <u>\$ 14,651</u> |
| Maintenance of general buildings and grounds: | | | | |
| General properties | \$ 149,526 | \$ 157,455 | \$ 146,871 | \$ 10,584 |
| Public works | 62,800 | 64,044 | 59,444 | 4,600 |
| Jail building | 24,100 | 28,100 | 28,090 | 10 |
| Courthouse | 150,275 | 133,775 | 139,588 | (5,813) |
| Health center | 4,000 | 4,000 | 1,003 | 2,997 |
| Other maintenance | 6,150 | 6,150 | 4,378 | 1,772 |
| Total maintenance of general buildings and grounds | <u>\$ 396,851</u> | <u>\$ 393,524</u> | <u>\$ 379,374</u> | <u>\$ 14,150</u> |
| Total public works | <u>\$ 1,638,579</u> | <u>\$ 1,718,310</u> | <u>\$ 1,689,509</u> | <u>\$ 28,801</u> |
| Health and welfare: | | | | |
| Health: | | | | |
| Supplement of local health department | <u>\$ 172,444</u> | <u>\$ 172,444</u> | <u>\$ 172,444</u> | <u>\$ -</u> |
| Mental health and mental retardation: | | | | |
| Chapter X board | <u>\$ 51,000</u> | <u>\$ 51,000</u> | <u>\$ 51,000</u> | <u>\$ -</u> |

County of Grayson, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

Schedule 2
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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) | | | | |
| Health and welfare: (Continued) | | | | |
| Welfare: | | | | |
| Welfare administration | \$ 1,060,107 | \$ 1,060,107 | \$ 1,128,911 | \$ (68,804) |
| Public assistance | 777,184 | 777,184 | 827,626 | (50,442) |
| Comprehensive services act | 700,000 | 700,000 | 706,818 | (6,818) |
| Area office on aging | 14,027 | 14,027 | 14,027 | - |
| Total welfare | <u>\$ 2,551,318</u> | <u>\$ 2,551,318</u> | <u>\$ 2,677,382</u> | <u>\$ (126,064)</u> |
| Total health and welfare | <u>\$ 2,774,762</u> | <u>\$ 2,774,762</u> | <u>\$ 2,900,826</u> | <u>\$ (126,064)</u> |
| Education: | | | | |
| Other instructional costs: | | | | |
| Contributions to Community College | \$ 19,953 | \$ 19,953 | \$ 19,953 | \$ - |
| Contribution to County School Board | 4,861,283 | 4,861,283 | 5,207,749 | (346,466) |
| Total education | <u>\$ 4,881,236</u> | <u>\$ 4,881,236</u> | <u>\$ 5,227,702</u> | <u>\$ (346,466)</u> |
| Parks, recreation, and cultural: | | | | |
| Parks and recreation: | | | | |
| Recreational | \$ 221,203 | \$ 221,794 | \$ 198,043 | \$ 23,751 |
| Library: | | | | |
| Contribution to regional library | \$ 242,900 | \$ 242,900 | \$ 242,900 | \$ - |
| Total parks, recreation, and cultural | <u>\$ 464,103</u> | <u>\$ 464,694</u> | <u>\$ 440,943</u> | <u>\$ 23,751</u> |
| Community development: | | | | |
| Planning and community development: | | | | |
| Planning commission | \$ 38,200 | \$ 32,200 | \$ 21,622 | \$ 10,578 |
| Tourism development | 46,000 | 46,000 | 32,926 | 13,074 |
| Twin county airport | 56,500 | 56,500 | 45,959 | 10,541 |
| Multi-flora rose | 450 | 455 | 455 | - |
| Economic development | 708,626 | 528,830 | 552,015 | (23,185) |
| Other community development | 64,500 | 64,500 | 59,673 | 4,827 |
| Total planning and community development | <u>\$ 914,276</u> | <u>\$ 728,485</u> | <u>\$ 712,650</u> | <u>\$ 15,835</u> |
| Environmental management: | | | | |
| Contribution to soil and water district | \$ 7,000 | \$ 7,000 | \$ 7,000 | \$ - |
| Cooperative extension program: | | | | |
| Extension office | \$ 61,893 | \$ 61,888 | \$ 50,811 | \$ 11,077 |
| Total community development | <u>\$ 983,169</u> | <u>\$ 797,373</u> | <u>\$ 770,461</u> | <u>\$ 26,912</u> |
| Capital projects: | | | | |
| Other capital projects | \$ 678,729 | \$ 954,715 | \$ 40,057 | \$ 914,658 |

County of Grayson, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

Schedule 2
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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) | | | | |
| Debt service: | | | | |
| Principal retirement | \$ 126,234 | \$ 126,234 | \$ 112,865 | \$ 13,369 |
| Interest and other fiscal charges | 573,766 | 573,766 | 513,000 | 60,766 |
| Total debt service | <u>\$ 700,000</u> | <u>\$ 700,000</u> | <u>\$ 625,865</u> | <u>\$ 74,135</u> |
| Total General Fund | <u>\$ 18,027,485</u> | <u>\$ 18,445,493</u> | <u>\$ 17,501,712</u> | <u>\$ 943,781</u> |
| Total Primary Government | <u>\$ 18,027,485</u> | <u>\$ 18,445,493</u> | <u>\$ 17,501,712</u> | <u>\$ 943,781</u> |
| Discretely Presented Component Unit - School Board | | | | |
| School Operating Fund: | | | | |
| Education: | | | | |
| Administration of schools: | | | | |
| Administration, attendance and health | \$ 836,713 | \$ 836,713 | \$ 786,164 | \$ 50,549 |
| Instructional costs: | | | | |
| Classroom instruction | <u>\$ 15,401,099</u> | <u>\$ 15,401,099</u> | <u>\$ 15,289,414</u> | <u>\$ 111,685</u> |
| Operating costs: | | | | |
| School food | \$ 815,852 | \$ 815,852 | \$ 1,138,773 | \$ (322,921) |
| Pupil transportation | 1,548,250 | 1,548,250 | 1,640,562 | (92,312) |
| Operation and maintenance of school plant | 1,894,759 | 1,894,759 | 2,464,131 | (569,372) |
| Technology | - | - | 223,714 | (223,714) |
| Total operating costs | <u>\$ 4,258,861</u> | <u>\$ 4,258,861</u> | <u>\$ 5,467,180</u> | <u>\$ (1,208,319)</u> |
| Total Education | <u>\$ 20,496,673</u> | <u>\$ 20,496,673</u> | <u>\$ 21,542,758</u> | <u>\$ (1,046,085)</u> |
| Total School Operating Fund | <u>\$ 20,496,673</u> | <u>\$ 20,496,673</u> | <u>\$ 21,542,758</u> | <u>\$ (1,046,085)</u> |
| Total Discretely Presented Component Unit - School Board | <u>\$ 20,496,673</u> | <u>\$ 20,496,673</u> | <u>\$ 21,542,758</u> | <u>\$ (1,046,085)</u> |

OTHER STATISTICAL INFORMATION

Table 1

County of Grayson, Virginia
Government-wide Expenses by Function
Last Ten Fiscal Years

| Fiscal Year | General Government Administration | Judicial Administration | Public Safety | Public Works | Health and Welfare | Education | Parks, Recreation, and Cultural | Community Development | Interest on Long-Term Debt | Water Authority | Total |
|-------------|-----------------------------------|-------------------------|---------------|--------------|--------------------|--------------|---------------------------------|-----------------------|----------------------------|-----------------|---------------|
| 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 |
| 2006-07 | 849,213 | 651,875 | 2,323,227 | 1,110,438 | 2,343,146 | 3,515,508 | 203,336 | 437,541 | 105,426 | 157,779 | 11,697,489 |
| 2005-06 | 824,348 | 662,423 | 2,359,612 | 1,146,742 | 2,385,991 | 3,299,957 | 184,361 | 396,003 | 18,590 | 133,723 | 11,411,750 |
| 2004-05 | 886,220 | 367,927 | 2,276,290 | 1,013,789 | 2,483,840 | 4,306,197 | 343,845 | 723,151 | 87,511 | 158,840 | 12,647,610 |

Table 2

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

| Fiscal Year | PROGRAM REVENUES | | | | GENERAL REVENUES | | | | | | |
|----------------|----------------------------|---|---|----|------------------------------|-------------------------|--|---------------------------|--|---------------|--|
| | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | | General Property Taxes | Other Local Taxes | Unrestricted Investment Earnings | Miscellaneous Programs | Grants and Contributions Not Restricted to Specific | Total | |
| | | | | | | | | | | | |
| 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 | 241,752 | | 6,181,765 | 1,716,432 | 320,763 | 120,632 | 590,274 | 13,497,551 | |
| 2006-07 | 397,917 | 3,629,836 | 185,121 | | 6,112,092 | 1,668,962 | 296,834 | 224,502 | 596,605 | 13,111,869 | |
| 2005-06 | 408,753 | 2,766,331 | - | | 6,051,456 | 1,582,387 | 302,936 | 385,391 | 1,543,352 | 13,040,606 | |
| 2004-05 | 423,183 | 2,826,205 | - | | 6,044,936 | 1,653,557 | 160,420 | 253,822 | 2,759,376 | 14,121,499 | |

Table 3

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 |
|-------------|-----------------------------------|-------------------------|---------------|--------------|--------------------|---------------|---------------------------------|-----------------------|--------------|---------------|
| | | | | | | | | | | |
| 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 |
| 2006-07 | 957,415 | 655,654 | 2,342,748 | 1,173,763 | 2,357,615 | 22,669,857 | 210,423 | 389,308 | 386,031 | 31,142,814 |
| 2005-06 | 901,030 | 658,821 | 2,359,812 | 1,150,125 | 2,383,671 | 18,925,440 | 184,361 | 395,563 | 235,275 | 27,194,098 |
| 2004-05 | 820,660 | 529,870 | 2,370,887 | 1,028,119 | 2,494,902 | 18,188,269 | 346,667 | 723,857 | 1,486,750 | 27,989,981 |

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

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

Table 4

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

| Fiscal Year | General Property Taxes | Other Local Taxes | Permits, Privilege Fees, Regulatory Licenses | Fines and Forfeitures | Revenue from the Use of Money and Property | Charges for Services | Miscellaneous | Recovered Costs | Inter-governmental (2) | Total |
|-------------|------------------------|-------------------|--|-----------------------|--|----------------------|---------------|-----------------|------------------------|---------------|
| | | | | | | | | | | |
| 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 |
| 2006-07 | 6,085,153 | 1,668,962 | 102,810 | 1,921 | 297,296 | 761,065 | 676,792 | 224,859 | 20,969,382 | 30,788,240 |
| 2005-06 | 6,068,227 | 1,582,387 | 83,431 | 656 | 303,979 | 764,773 | 745,386 | 162,698 | 18,992,491 | 28,704,028 |
| 2004-05 | 5,973,509 | 1,653,557 | 76,984 | 1,335 | 160,890 | 685,657 | 486,018 | 168,118 | 19,565,917 | 28,771,985 |

(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 |
|-------------|--------------------|-----------------------------|---------------------------|----------------------------------|-----------------------|--|----------------------------------|---|
| 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% |
| 2006-07 | 6,496,946 | 6,212,415 | 95.62% | 207,087 | 6,419,502 | 98.81% | 523,523 | 8.06% |
| 2005-06 | 6,507,897 | 6,200,206 | 95.27% | 198,406 | 6,398,612 | 98.32% | 532,713 | 8.19% |
| 2004-05 | 6,349,758 | 6,122,542 | 96.42% | 163,727 | 6,286,269 | 99.00% | 453,537 | 7.14% |

(1) Exclusive of penalties and interest.

(2) Does not include land redemptions.

Table 6

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

| Fiscal Year | Real Estate | Personal Property and Mobile Homes | Merchant's Capital | Machinery and Tools | Public Utility (2) | | Total |
|----------------|------------------|---|-----------------------|---------------------------|--------------------|----------------------|------------------|
| | | | | | Real Estate | Personal Property | |
| 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 |
| 2006-07 | 1,585,856,000 | 107,399,775 | 711,519 | 11,060,509 | 39,087,380 | 21,634 | 1,744,136,817 |
| 2005-06 | 820,748,700 | 110,421,430 | 654,137 | 13,402,691 | 26,246,852 | 16,301 | 971,490,111 |
| 2004-05 | 814,103,887 | 99,919,340 | 573,498 | 11,277,161 | 26,717,935 | - | 952,591,821 |

(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 |
|----------------|----------------|----------------------|---------------------------|-----------------------|
| 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 |
| 2006-07 | 0.29 | 1.50 | 1.50 | 6.70 |
| 2005-06 | 0.55 | 1.50 | 1.50 | 6.70 |
| 2004-05 | 0.55 | 1.60 | 1.60 | 6.70 |

(1) Per \$100 of assessed value.

Table 8

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

| Fiscal Year | Population (1) | Assessed Value (in thousands) (2) | Gross Bonded Debt (3) | Net Bonded Debt | Ratio of Net Bonded Debt to Assessed Value | Net Bonded Debt per Capita |
|-------------|----------------|-----------------------------------|-----------------------|-----------------|--|----------------------------|
| 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 |
| 2006-07 | 17,917 | 1,744,137 | 1,960,336 | 1,960,336 | 0.11% | 109 |
| 2005-06 | 17,917 | 971,490 | 2,161,935 | 2,161,935 | 0.22% | 121 |
| 2004-05 | 17,917 | 952,592 | 631,470 | 631,470 | 0.07% | 35 |

(1) Bureau of the Census.

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

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

Table 9

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

| Fiscal Year | Principal | Interest | Total Debt Service | Total General Governmental Expenditures | Ratio of Debt Service to General Governmental Expenditures |
|----------------|------------|----------|--------------------------|--|--|
| 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% |
| 2006-07 | 280,605 | 105,426 | 386,031 | 31,142,814 | 1.24% |
| 2005-06 | 216,685 | 18,590 | 235,275 | 27,194,098 | 0.87% |
| 2004-05 | 1,399,239 | 87,511 | 1,486,750 | 27,989,981 | 5.31% |

(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

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

To the 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 discretely presented component units, each major fund, and the aggregate remaining fund information of County of Grayson, Virginia as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise County of Grayson, Virginia's basic financial statements and have issued our report thereon dated January 15, 2015.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses [2014-001, 2014-002, 2014-003, and 2014-004].

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs [2014-001, 2014-002].

County of Grayson, Virginia's Response to Findings

County of Grayson, Virginia's response to the findings 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.

Robinson, Turner, Co. Associates
Blacksburg, Virginia
January 15, 2015

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133

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, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of County of Grayson, Virginia's major federal programs for the year ended June 30, 2014. County of Grayson, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of County of Grayson, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about County of Grayson, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, County of Grayson, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control over Compliance

Management of County of Grayson, Virginia is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered County of Grayson, Virginia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of County of Grayson, Virginia's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Robinson, Turner, & Associates
Blacksburg, Virginia
January 15, 2015

County of Grayson, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

| 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 | 0950113 | \$ 9,284 |
| Temporary Assistance for Needy Families | 93.558 | 0400113, 0400114 | 174,867 |
| Refugee and Entrant Assistance - State Administered Programs | 93.566 | 0500113, 0500114 | 972 |
| Low-Income Home Energy Assistance | 93.568 | 0600413, 0600414 | 19,759 |
| Child Care Mandatory and Matching Funds of the Child Care and Development Fund | 93.596 | 0760113, 0760114 | 28,246 |
| Chafee Education and Training Vouchers Program | 93.599 | 9160112, 9160113 | 3,306 |
| Stephanie Tubbs Jones Child Welfare Services Program | 93.645 | 0900113, 0900114 | 1,307 |
| Foster Care - Title IV-E | 93.658 | 1100113, 1100114 | 178,671 |
| Adoption Assistance | 93.659 | 1120113, 1120114 | 160,563 |
| Social Services Block Grant | 93.667 | 1000113, 1000114 | 121,573 |
| Chafee Foster Care Independence Program | 93.674 | 9150113, 9150114 | 3,783 |
| Medical Assistance Program | 93.778 | 1200113, 1200114 | 150,420 |
| Children's Health Insurance Program | 93.767 | 0540113, 0540114 | 4,866 |
| | | | <u>\$ 857,617</u> |
| Total Department of Health and Human Services | | | <u>\$ 857,617</u> |
| Department of Agriculture: | | | |
| Direct Payments: | | | |
| Community Facilities Loans and Grants | 10.766 | N/A | \$ 25,000 |
| Pass Through Payments: | | | |
| <i>Child Nutrition Cluster:</i> | | | |
| <i>Department of Agriculture:</i> | | | |
| Food Distribution (Note 3) | 10.555 | Not available | 59,801 |
| <i>Department of Education:</i> | | | |
| National School Lunch Program | 10.555 | 40623 | 511,256 \$ 571,057 |
| School Breakfast Program | 10.553 | 40591 | 186,910 |
| <i>Department of Education:</i> | | | |
| Schools and Roads - Grants to States | 10.665 | 43841 | 64,315 |
| <i>Department of Social Services:</i> | | | |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | 0010113, 0010114, 0040114 | 174,404 |
| | | | <u>\$ 1,021,686</u> |
| Total Department of Agriculture | | | <u>\$ 1,021,686</u> |
| Department of Justice: | | | |
| Pass Through Payments: | | | |
| <i>Compensation Board:</i> | | | |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | 14-A2882AD12, 14-P1144L013 | \$ 27,181 |
| Department of Transportation: | | | |
| Pass Through Payments: | | | |
| <i>Department of Motor Vehicles:</i> | | | |
| Highway Planning and Construction | 20.205 | Not available | \$ 27,722 |
| Alcohol Open Container Requirements | 20.607 | 54094, 53088 | 16,389 |
| | | | <u>\$ 44,111</u> |
| Total Department of Transportation: | | | <u>\$ 44,111</u> |
| Department of Homeland Security: | | | |
| Pass Through Payments: | | | |
| <i>Department of Emergency Services:</i> | | | |
| Emergency Management Performance Grant | 97.042 | 52742, 52743 | \$ 29,430 |
| Department of Treasury: | | | |
| Direct Payments: | | | |
| Equitable Sharing Program | 21.000 | N/A | \$ 115,173 |
| Environmental Protection Agency: | | | |
| Pass Through Payments: | | | |
| <i>Virginia Department of Conservation and Recreation</i> | | | |
| Chesapeake Bay Program | 66.466 | SWM2012P49 | \$ 34,030 |

County of Grayson, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

| 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: | | | |
| Department of Education: | | | |
| Special Education Cluster: | | | |
| Special Education - Preschool Grants | 84.173 | 62521 | \$ 23,040 |
| Special Education - Grants to States | 84.027 | 43071 | 629,206 |
| Title I: Grants to Local Educational Agencies | 84.010 | 42892, 42901 | 640,335 |
| Twenty-first Century Community Learning Centers | 84.287 | 60565 | 1,030,313 |
| Career and Technical Education: Basic Grants to States | 84.048 | 61095 | 80,242 |
| Rural Education | 84.358 | 43481 | 12,060 |
| Improving Teacher Quality State Grants | 84.367 | 61480 | 113,053 |
| ARRA - School Improvement Grants | 84.388 | 42990 | 154,883 |
| Migrant Education - State Grant Program | 84.011 | 60525 | 4,210 |
| Total Department of Education | | | \$ 2,687,342 |
| Total Expenditures of Federal Awards | | | \$ 4,816,570 |

Notes to Schedule of Expenditures of Federal Awards

Note 1 -- Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County of Grayson, Virginia under programs of the federal government for the year ended June 30, 2014. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the County of Grayson, Virginia, it is not intended to and does not present the financial position, changes in net 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 OMB A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

Note 3 -- Food Donation

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

Note 4 -- Relationship to the Financial Statements:

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

| | |
|--------------------------------|--------------|
| General Fund | \$ 1,326,358 |
| Less: Payment in lieu of taxes | (19,412) |

| | |
|--------------------------|--------------|
| Total primary government | \$ 1,306,946 |
|--------------------------|--------------|

Component Unit School Board:

| | |
|-----------------------|--------------|
| School Operating Fund | \$ 3,509,624 |
|-----------------------|--------------|

| | |
|---|--------------|
| Total expenditures of federal awards per basic financial statements | \$ 4,816,570 |
|---|--------------|

County of Grayson, Virginia

Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

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? | Yes |

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 Circular A-133, Section .510 (a)? | No |

Identification of major programs:

| CFDA # | Name of Federal Program or Cluster |
|---------------|---|
| 84.287 | Twenty-First Century Community Learning Centers |
| 84.010 | Title I, Grants to Local Educational Agencies |
| 84.027/84.173 | Special Education Cluster |
| 84.388 | ARRA - School Improvement Grants |

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

County of Grayson, Virginia

Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

Section II - Financial Statement Findings

2014-001

Criteria: The Code of Virginia requires that an appropriation exist prior to the expenditure of funds.

Condition: The budgeting process for the Board of Supervisors did not include the School Board's state and federal revenue or expenditures so those funds were technically not appropriated. In addition, the School Board spent funds in excess of the School Board approved budget.

Cause of Condition: The School Board's state and federal revenue or expenditures were not budgeted as an oversight to the annual budgeting process. The School Board over spent the approved budget due to turnover in staff and inadequate procedures for tracking budget to actual expenditures.

Effect of Condition: The School Board expended funds that were not appropriated.

Recommendation: The Board of Supervisors should appropriate the entire School Board budget as it sees fit and the School Board should implement procedures to monitor expenditures against that amount.

Management's Response: Management will implement the recommended actions as soon as possible.

2014-002

Criteria: The Virginia Public Procurement Act requires public entities to advertise to receive sealed bids for services in excess of \$100,000.

Condition: The School Board did not advertise the installation of wireless networking in the schools in excess of \$300,000.

Cause of Condition: The School Board was under the impression the services fell under a sole source exemption when in fact they had not met the specific requirements to be a sole source purchase.

Effect of Condition: The School Board was not in compliance with the Virginia Public Procurement Act.

Recommendation: The School Board should review the Virginia Public Procurement Act and ensure compliance going forward.

Management's Response: Management will implement the recommended actions as soon as possible.

County of Grayson, Virginia

Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

Section II - Financial Statement Findings (Continued)

2014-003

| | |
|------------------------|---|
| Criteria: | Generally accepted accounting principles require revenue to be matched in the same time period as the expenditure. Expenditures that are to be submitted for reimbursement under reimbursable grants should be documented to verify proper timing for requests. |
| Condition: | The School Board submitted three years of eligible expenditures for VPSA technology grant reimbursements during the fiscal year. The School Board also did not submit special education reimbursement requests on a timely basis. |
| Cause of Condition: | The School Board had turnover in staff in the technology department and a lack of oversight of the reimbursement process in the special education department. |
| Effect of Condition: | The School Board's financial statements were not in accordance with generally accepted accounting standards prior to the adjustment provided by the County's consultant. |
| Recommendation: | The School Board should track all expenditures to be reimbursed by grants and submit requests in a timely fashion. |
| Management's Response: | Management will implement the recommended actions as soon as possible. |

2014-004

| | |
|----------------------|---|
| Criteria: | Per Statement on Auditing Standards 115, an auditee should have sufficient controls in place to produce financial statements in accordance with applicable standards. Furthermore, reliance on the auditor to propose adjustments necessary to comply with reporting standards is not a component of such 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: | Several large adjustments were proposed by the auditors as a result of untimely reimbursement requests and issuing checks prior to the goods/services being received. |
| 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 County's internal controls over financial reporting. |

County of Grayson, Virginia

Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

2014-004 (continued)

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| Recommendation: | The County and School Board should modify their year end processes in order to better aide the consultant in preparation for the audit. The School Board specifically should request reimbursements on grants in a more timely manner. |
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| Management's Response: | The County and School Board will make an effort to request funds in a timely manner and cut checks only after goods and services have been received. |
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Section III - Federal Award Findings and Questioned Costs

None

Section IV - Status of Prior Audit Findings

Finding 2013-1 was corrected by the hired consultant. Finding 2013-2 recurred this year as 2014-003.