

COUNTY OF GRAYSON, VIRGINIA

FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2013

COUNTY OF GRAYSON, VIRGINIA
FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2013

TABLE OF CONTENTS

INTRODUCTORY SECTION

	<u>Page</u>
List of Elected and Appointed Officials	1

FINANCIAL SECTION

Independent Auditors' Report	2-4
Management's Discussion and Analysis.....	5-12

	<u>Exhibit</u>	<u>Page</u>
Basic Financial Statements:		
Government-Wide Financial Statements:		
Statement of Net Position	1	13
Statement of Activities.....	2	14
Fund Financial Statements:		
Balance Sheet – Governmental Funds	3	15
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	4	16
Statement of Revenues, Expenditures and Change in Fund Balances – Governmental Funds	5	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6	18
Statement of Net Position – Proprietary Funds	7	19
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds	8	20
Statement of Cash Flows – Proprietary Funds.....	9	21
Statement of Fiduciary Net Position – Fiduciary Funds	10	22
Notes to Financial Statements		23-55

Required Supplementary Information:

Schedule of Revenues, Expenditures and Change in Fund Balances – Budget and Actual:		
General Fund	11	56
Special Revenue Fund-Community Development.....	12	57
Special Revenue Fund-Industrial Development	13	58
Schedule of Pension and OPEB Funding Progress	14	59

**COUNTY OF GRAYSON, VIRGINIA
FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2013**

TABLE OF CONTENTS (CONTINUED)

FINANCIAL SECTION (Continued)

	<u>Exhibit</u>	<u>Page</u>
Other Supplementary Information:		
Schedule of Revenues, Expenditures and Change in Fund Balances – Budget and Actual		
Capital Projects Fund-School Construction Fund	15	60
Combining Statement of Fiduciary Net Position – Fiduciary Funds.....	16	61
Discretely Presented Component Unit – School Board:		
Balance Sheet	17	62
Statement of Revenues, Expenditures, and Changes in Fund Balances		
Governmental Funds	18	63
Schedule of Revenues, Expenditures, and Changes in Fund Balances –		
Budget and Actual	19	64

	<u>Schedule</u>	<u>Page</u>
Supporting Schedules:		
Schedule of Revenues – Budget and Actual-Governmental Funds	1	65-69
Schedule of Expenditures – Budget and Actual-Governmental Funds	2	70-72

Statistical Information:

	<u>Table</u>	<u>Page</u>
Government-wide information:		
Government-Wide Expenses by Function	1	73
Government-Wide Revenues	2	74
Fund information:		
General Governmental Expenditures by Function	3	75
General Governmental Revenues by Source	4	76
Property Tax Levies and Collections	5	77
Assessed Value of Taxable Property.....	6	78
Property Tax Rates.....	7	79
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded		
Debt Per Capita	8	80
Ratio of Annual Debt Service Expenditures for General Bonded Debt to		
Total General Governmental Expenditures.....	9	81

COUNTY OF GRAYSON, VIRGINIA
FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2013

TABLE OF CONTENTS (CONTINUED)

COMPLIANCE SECTION

	<u>Page</u>
Compliance:	
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 <i>Government Auditing Standards</i>	82-83
Independent Auditors' Report on Compliance for Each Major Program and Internal Control over Compliance Required by OMB Circular A-133.....	84-85
Schedule of Expenditures of Federal Awards	86-87
Schedule of Findings and Questioned Costs	88-90

INTRODUCTORY SECTION

COUNTY OF GRAYSON, VIRGINIA

BOARD OF SUPERVISORS

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

COUNTY SCHOOL BOARD

Shannon Holdaway, Vice Chair	Holbert D. Bailey, Chair	Misty Cassell
Gary Burris		Wynn Combs

SOCIAL SERVICES BOARD

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

Clerk of the Circuit Court	Susan Herrington
Commonwealth's Attorney	Douglas Vaught
Commissioner of the Revenue	Larry D. Bolt
Treasurer	Fields R. Young, Jr.
Sheriff	Richard Vaughan
Superintendent of Schools.....	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 Board of Supervisors
County of Grayson, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Grayson, Virginia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County of Grayson, Virginia's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Grayson, Virginia, as of June 30, 2013, 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.

Emphasis of Matter

As described in Note 20 to the financial statements, in 2013, the County adopted new accounting guidance, GASB Statement Nos. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-12, budgetary comparison information, and schedule of pension and OPEB funding progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Grayson, Virginia's basic financial statements. The introductory section, other supplementary information, supporting schedules, and statistical section, 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.

Other Information (continued)

The other supplementary information, supporting schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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, supporting schedules, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and 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 February 4, 2014, on our consideration of the County of Grayson, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Grayson, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates
Blacksburg, Virginia
February 4, 2014

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

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, 2013. We encourage readers to consider the information presented here in conjunction with the basic audited financial statements.

Financial Highlights

- The assets of the County's governmental activities exceeded its liabilities at the close of the fiscal year by \$15,997,732 (net position). Of this amount, \$10,792,233 was considered unrestricted.
- The assets of the County's business-type activities exceeded its liabilities at the close of the fiscal year by \$1,641,705 (net position). Of this amount, \$91,537 was considered unrestricted.
- The assets of the School Board component unit exceeded its liabilities at the close of the fiscal year by \$4,469,537 (net position). Of this amount \$(1,036,471) was considered unrestricted.
- As of the close of the current fiscal year, the County's funds reported combined ending fund balances of \$10,525,392. Of the amount \$7,208,009 was considered unassigned, \$1,569,775 was considered assigned, \$1,207,284 was considered committed, and \$540,324 was considered restricted.
- During the fiscal year, the County had change in net position of \$2,253,580 for governmental activities, (\$343,379) for business-type activities, and \$3,625 for the School Board component unit. For the governmental activities and the School Board component unit, the revenues and transfers exceeded the expenses for the fiscal year. For the business-type activities, 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.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

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 liabilities, 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.

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.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

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.

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 exceed liabilities by \$15,997,732 at the close of the most recent fiscal year.

A significant portion of the County's net position \$4,665,175 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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

liabilities. An additional portion of the County's net position \$540,324, are subject to restrictions on how they may be used. The remaining balance of net position \$10,792,233 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 2013 and 2012.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2013	2012	2013	2012	2013
Current Assets	19,310,090	22,061,960	395,799	125,039	19,705,889	22,186,999
Capital Assets	24,331,191	23,887,063	2,243,163	2,155,308	26,574,354	26,042,371
Total Assets	43,641,281	45,949,023	2,638,962	2,280,347	46,280,243	48,229,370
Current Liabilities	10,579,456	487,588	49,380	49,403	10,628,836	536,991
Long-Term Liabilities	19,317,673	19,277,712	604,498	589,239	19,922,171	19,866,951
Total Liabilities	29,897,129	19,765,300	653,878	638,642	30,551,007	20,403,942
Deferred Inflows of Resources						
Unavailable Property Taxes	-	10,185,991	-	-	-	10,185,991
Net Position:						
Net Investment in						
Capital Assets	5,172,432	4,665,175	1,620,666	1,550,168	6,793,098	6,215,343
Restricted	542,662	540,324	-	-	542,662	540,324
Unrestricted	8,029,058	10,792,233	364,418	91,537	8,393,476	10,883,770
Total Net Position	13,744,152	15,997,732	1,985,084	1,641,705	15,729,236	17,639,437

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

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	
	2012	2013	2012	2013	2012	2013
Charges for Services	1,682,672	1,723,918	209,664	193,350	1,892,336	1,917,268
Operating Grants/Contributions	3,702,651	3,853,619	-	-	3,702,651	3,853,619
Capital Grants/Contributions	77,814	-	-	-	77,814	-
Program Revenues	5,463,137	5,577,537	209,664	193,350	5,672,801	5,770,887
Taxes	11,062,239	11,051,306	-	-	11,062,239	11,051,306
Interest Income	49,575	55,428	-	-	49,575	55,428
Miscellaneous	223,235	172,230	-	-	223,235	172,230
Grants not restricted to program	858,516	890,996	-	-	858,516	890,996
General Revenues	12,193,565	12,169,960	-	-	12,193,565	12,169,960
Total Revenues	17,656,702	17,747,497	209,664	193,350	17,866,366	17,940,847
General Government	1,061,726	979,020	-	-	1,061,726	979,020
Judicial Administration	773,326	791,486	-	-	773,326	791,486
Public Safety	3,160,218	3,265,425	-	-	3,160,218	3,265,425
Public Works	1,199,271	1,294,578	-	-	1,199,271	1,294,578
Health and Welfare	2,562,695	2,563,894	-	-	2,562,695	2,563,894
Education	5,169,448	4,980,545	-	-	5,169,448	4,980,545
Parks, Recreation, Cultural	413,036	471,473	-	-	413,036	471,473
Community Development	724,623	764,628	-	-	724,623	764,628
Interest on long-term debt	544,422	641,036	-	-	544,422	641,036
Water authority	-	-	263,930	278,561	263,930	278,561
Total Expenses	15,608,765	15,752,085	263,930	278,561	15,872,695	16,030,646
Transfers	(38,500)	258,168	38,500	(258,168)	-	-
Change in Net Position	2,009,437	2,253,580	(15,766)	(343,379)	1,993,671	1,910,201
Beginning Net Position as restated	11,734,715	13,744,152	2,000,850	1,985,084	13,735,565	15,729,236
Ending Net Position	13,744,152	15,997,732	1,985,084	1,641,705	15,729,236	17,639,437

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

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 \$10,525,392; \$540,324 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 \$1,207,284 has been committed by action of the Board of Supervisors and \$1,569,775 has been assigned by the Board of Supervisors. The remaining balance, \$7,208,009 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 \$9,258,767 of this amount \$7,208,009 was considered unassigned. The Community Development Fund had a committed fund balance of \$438,769 and the Industrial Development Fund had a committed fund balance of \$621,076. The School Construction Fund had a restricted fund balance of \$206,780.

Total governmental fund revenues decreased \$9,674 and expenditures decreased \$228,997 over prior fiscal year amounts. For fiscal year ended June 30, 2013, revenues and other financing sources exceeded expenditures and other financing uses by \$2,433,560, as compared to the fiscal year ended June 30, 2012, revenues and other financing sources exceeded expenditures and other financing uses by \$1,862,289.

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 \$16,584,720 for fiscal year 2013. The actual revenues were \$17,823,865 which is a favorable variance of \$1,239,145. 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 \$17,094,702 for the County. The actual expenditures were \$33,725,861 which is an unfavorable variance of (\$16,631,159) which is attributed largely to expenditures for repayment of debt service in order to obtain new general obligation bonds of \$15,670,000.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

Capital Assets and Debt Administration

Capital assets – The County's investment in capital assets for its governmental funds activities as of June 30, 2013 amounts to \$23,887,063 (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 the public works building. The County's investment in capital assets for its business-type activities as of June 30, 2013 amounts to \$2,155,308 (net of accumulated depreciation) with no major expenditures for capital assets. Additional information on the County of Grayson's capital assets can be found in Note 12 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, 2012	Issuances	Retirements	Balance June 30, 2013
Revenue and GO bonds	\$ 622,497	\$ -	\$ (17,357)	\$ 605,140
Total	<u>\$ 622,497</u>	<u>\$ -</u>	<u>\$ (17,357)</u>	<u>\$ 605,140</u>

The outstanding debt for governmental activities at June 30, 2013 is as follows:

	Balance July 1, 2012	Issuances	Retirements	Balance June 30, 2013
General obligation bonds	\$ 1,133,426	\$ 15,670,000	\$ (76,596)	\$ 16,726,830
Premium on bond	61,504	2,157,388	(4,393)	2,214,499
Lease revenue notes	17,900,000	250,000	(17,902,210)	247,790
Capital lease	63,829	-	(31,060)	32,769
Landfill closure/postclosure	56,479	960	-	57,439
Net OPEB obligation	76,600	40,000	(26,000)	90,600
Compensated absences	106,824	-	(11,817)	95,007
Total	<u>\$ 19,398,662</u>	<u>\$ 18,118,348</u>	<u>\$ (18,052,076)</u>	<u>\$ 19,464,934</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, 2013**

Economic Factors

The unemployment rate for the County of Grayson, Virginia was 7.8%, which remains unchanged from 2012. This is slightly above the state's average unemployment rate of 5.2% and above the national average rate of 7.4%.

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, 2013

	Primary Government			Component Unit
	Governmental	Business-type	Total	School Board
	Activities	Activities		
ASSETS				
Cash and cash equivalents	\$ 1,819,686	\$ 89,659	\$ 1,909,345	\$ -
Cash in custody of others	-	-	-	787,591
Investments	6,473,082	15,634	6,488,716	-
Receivables (net of allowance for uncollectibles):				
Taxes receivable	11,285,686	-	11,285,686	-
Accounts receivable	515,732	19,746	535,478	92,130
Notes receivable	389,936	-	389,936	-
Due from component unit	935,419	-	935,419	-
Due from other governmental units	642,419	-	642,419	896,042
Prepaid items	-	-	-	227,881
Capital assets (net of accumulated depreciation):				
Land	749,787	10,648	760,435	144,690
Buildings, improvements, and systems	22,567,006	-	22,567,006	3,936,799
Machinery and equipment	542,115	15,464	557,579	1,246,054
Infrastructure	-	2,129,196	2,129,196	-
Construction in progress	28,155	-	28,155	178,465
Total assets	\$ 45,949,023	\$ 2,280,347	\$ 48,229,370	\$ 7,509,652
LIABILITIES				
Accounts payable	\$ 181,438	\$ 13,802	\$ 195,240	\$ 281,392
Accrued liabilities	-	-	-	786,413
Customers' deposits	-	18,661	18,661	-
Accrued interest payable	118,928	1,039	119,967	-
Due to primary government	-	-	-	935,419
Long-term liabilities:				
Due within one year	187,222	15,901	203,123	-
Due in more than one year	19,277,712	589,239	19,866,951	1,036,891
Total liabilities	\$ 19,765,300	\$ 638,642	\$ 20,403,942	\$ 3,040,115
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	\$ 10,185,991	\$ -	\$ 10,185,991	\$ -
NET POSITION				
Net Investment in capital assets	\$ 4,665,175	\$ 1,550,168	\$ 6,215,343	\$ 5,506,008
Restricted for:				
TEA	220,457	-	220,457	-
DARE	2,340	-	2,340	-
Recreation	9,375	-	9,375	-
Special Law Enforcement	101,372	-	101,372	-
Capital Projects	206,780	-	206,780	-
Unrestricted (deficit)	10,792,233	91,537	10,883,770	(1,036,471)
Total net position	\$ 15,997,732	\$ 1,641,705	\$ 17,639,437	\$ 4,469,537

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, 2013

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	
PRIMARY GOVERNMENT:							
Governmental activities:							
General government administration	\$ 979,020	\$ 13,697	\$ 130,997	\$ -	\$ (834,326)	\$ -	\$ (834,326)
Judicial administration	791,486	35,172	539,927	-	(216,387)	-	(216,387)
Public safety	3,265,425	168,132	1,110,769	-	(1,986,524)	-	(1,986,524)
Public works	1,294,578	1,456,316	26,424	-	188,162	-	188,162
Health and welfare	2,563,894	-	2,035,522	-	(528,372)	-	(528,372)
Education	4,980,545	-	-	-	(4,980,545)	-	(4,980,545)
Parks, recreation, and cultural	471,473	50,601	9,980	-	(410,892)	-	(410,892)
Community development	764,628	-	-	-	(764,628)	-	(764,628)
Interest on long-term debt	641,036	-	-	-	(641,036)	-	(641,036)
Total governmental activities	\$ 15,752,085	\$ 1,723,918	\$ 3,853,619	\$ -	\$ (10,174,548)	\$ -	\$ (10,174,548)
Business-type activities:							
Water Authority	\$ 278,561	\$ 193,350	\$ -	\$ -	\$ -	\$ (85,211)	\$ (85,211)
Total primary government	\$ 16,030,646	\$ 1,917,268	\$ 3,853,619	\$ -	\$ (10,174,548)	\$ (85,211)	\$ (10,259,759)
COMPONENT UNITS:							
School Board	\$ 22,038,800	\$ 360,826	\$ 16,585,750	\$ 5,350	\$ -	\$ -	\$ (5,086,874)
Total component units	\$ 22,038,800	\$ 360,826	\$ 16,585,750	\$ 5,350	\$ -	\$ -	\$ (5,086,874)
General revenues:							
General property taxes					\$ 9,882,433	\$ -	\$ 9,882,433
Other local taxes:							
Local sales and use taxes					407,213	-	407,213
Consumers' utility taxes					342,088	-	342,088
Motor vehicle licenses					285,605	-	285,605
Other local taxes					133,967	-	133,967
Unrestricted revenues from use of money and property					55,428	-	55,428
Miscellaneous					172,230	-	172,230
Payment from Grayson County					-	-	-
Grants and contributions not restricted to specific programs					890,996	-	890,996
Transfers					258,168	(258,168)	-
Total general revenues and transfers					\$ 12,428,128	\$ (258,168)	\$ 12,169,960
Change in net position					\$ 2,253,580	\$ (343,379)	\$ 1,910,201
Net position - beginning, as restated					13,744,152	1,985,084	15,729,236
Net position - ending					\$ 15,997,732	\$ 1,641,705	\$ 17,639,437

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

County of Grayson, Virginia
Balance Sheet
Governmental Funds
June 30, 2013

	<u>General</u>	<u>Community Development</u>	<u>Industrial Development</u>	<u>School Construction</u>	<u>Total</u>
ASSETS					
Cash and cash equivalents	\$ 1,748,340	\$ -	\$ 8,590	\$ -	\$ 1,756,930
Investments	5,510,563	373,227	288,092	206,780	6,378,662
Receivables (net of allowance for uncollectibles):					
Taxes receivable	11,285,686	-	-	-	11,285,686
Accounts receivable	515,732	-	-	-	515,732
Notes receivable	-	64,247	325,689	-	389,936
Due from other funds	-	1,295	-	-	1,295
Due from component unit	935,419	-	-	-	935,419
Due from other governmental units	642,419	-	-	-	642,419
Total assets	<u>\$ 20,638,159</u>	<u>\$ 438,769</u>	<u>\$ 622,371</u>	<u>\$ 206,780</u>	<u>\$ 21,906,079</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 181,321	\$ -	\$ -	\$ -	\$ 181,321
Due to other funds	-	-	1,295	-	1,295
Total liabilities	<u>\$ 181,321</u>	<u>\$ -</u>	<u>\$ 1,295</u>	<u>\$ -</u>	<u>\$ 182,616</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	<u>\$ 11,198,071</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,198,071</u>
Fund balances:					
Restricted:					
TEA	\$ 220,457	\$ -	\$ -	\$ -	\$ 220,457
DARE	2,340	-	-	-	2,340
Recreation	9,375	-	-	-	9,375
Special Law Enforcement	101,372	-	-	-	101,372
Capital Projects	-	-	-	206,780	206,780
Committed:					
Courthouse Security	58,976	-	-	-	58,976
Courthouse Maintenance	14,308	-	-	-	14,308
School Bus Replacement	74,155	-	-	-	74,155
Community Development	-	438,769	-	-	438,769
Industrial Development	-	-	621,076	-	621,076
Assigned:					
Reassessment	177,000	-	-	-	177,000
Contingency	886,225	-	-	-	886,225
Capital Improvement	501,324	-	-	-	501,324
Sheriff	2,613	-	-	-	2,613
Treasurer	2,613	-	-	-	2,613
Unassigned:	7,208,009	-	-	-	7,208,009
Total fund balances	<u>\$ 9,258,767</u>	<u>\$ 438,769</u>	<u>\$ 621,076</u>	<u>\$ 206,780</u>	<u>\$ 10,525,392</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 20,638,159</u>	<u>\$ 438,769</u>	<u>\$ 622,371</u>	<u>\$ 206,780</u>	<u>\$ 21,906,079</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, 2013

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	10,525,392
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land	\$	749,787	
Buildings and system		22,567,006	
Machinery and equipment		542,115	
Construction in progress		28,155	23,887,063

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		1,012,080
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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.

157,059

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	\$	(16,726,830)	
Premium on Bond Issuance		(2,214,499)	
Lease Revenue Bond		(247,790)	
Capital lease		(32,769)	
Accrued interest payable		(118,928)	
Landfill accrued closure/post-closure liability		(57,439)	
Net OPEB obligation		(90,600)	
Compensated absences		(95,007)	(19,583,862)

Net position of governmental activities

\$ 15,997,732

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, 2013

	<u>General</u>	<u>Community Development</u>	<u>Industrial Development</u>	<u>School Construction</u>	<u>Total</u>
REVENUES					
General property taxes	\$ 9,677,846	\$ -	\$ -	\$ -	\$ 9,677,846
Other local taxes	1,168,873	-	-	-	1,168,873
Permits, privilege fees, and regulatory licenses	84,070	-	-	-	84,070
Fines and forfeitures	27,735	-	-	-	27,735
Revenue from the use of money and property	50,675	1,903	2,334	516	55,428
Charges for services	1,612,113	-	-	-	1,612,113
Miscellaneous	172,230	-	-	-	172,230
Recovered costs	285,708	-	-	-	285,708
Intergovernmental revenues:					
Commonwealth	3,787,073	-	-	-	3,787,073
Federal	957,542	-	-	-	957,542
Total revenues	<u>\$ 17,823,865</u>	<u>\$ 1,903</u>	<u>\$ 2,334</u>	<u>\$ 516</u>	<u>\$ 17,828,618</u>
EXPENDITURES					
Current:					
General government administration	\$ 1,222,809	\$ -	\$ -	\$ -	\$ 1,222,809
Judicial administration	786,241	-	-	-	786,241
Public safety	3,240,572	-	-	-	3,240,572
Public works	1,497,117	-	-	-	1,497,117
Health and welfare	2,569,675	-	-	-	2,569,675
Education	4,452,981	-	-	-	4,452,981
Parks, recreation, and cultural	462,165	-	-	-	462,165
Community development	700,556	-	-	-	700,556
Capital projects	20,500	-	-	-	20,500
Debt service:					
Principal retirement	18,009,866	-	-	-	18,009,866
Interest and other fiscal charges	763,379	-	-	-	763,379
Total expenditures	<u>\$ 33,725,861</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,725,861</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (15,901,996)</u>	<u>\$ 1,903</u>	<u>\$ 2,334</u>	<u>\$ 516</u>	<u>\$ (15,897,243)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ 1,906,224	\$ -	\$ -	\$ -	\$ 1,906,224
Transfers out	(1,648,056)	-	-	-	(1,648,056)
Issuance of general obligation debt	15,670,000	-	-	-	15,670,000
Issuance of lease revenue bonds	250,000	-	-	-	250,000
Premium on issuance of general obligation bonds	2,157,388	-	-	-	2,157,388
Total other financing sources (uses)	<u>\$ 18,335,556</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,335,556</u>
Net change in fund balances	\$ 2,433,560	\$ 1,903	\$ 2,334	\$ 516	\$ 2,438,313
Fund balances - beginning	6,825,207	436,866	618,742	206,264	8,087,079
Fund balances - ending	<u>\$ 9,258,767</u>	<u>\$ 438,769</u>	<u>\$ 621,076</u>	<u>\$ 206,780</u>	<u>\$ 10,525,392</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, 2013

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

Net change in fund balances - total governmental funds	\$	2,438,313
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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	\$ 451,144	
Depreciation expense	(895,273)	(444,129)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		204,587
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The issuance of long-term obligations (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term obligations and related items.

Debt issued or incurred:

Issuance of general obligation debt	\$ (15,670,000)	
Plus: premium on issuance	(2,157,388)	
Issuance of revenue note	(250,000)	
Increase in accrued landfill closure/postclosure cost	(960)	

Principal repayments:

General obligation bonds	76,596	
Lease revenue note	17,902,210	
Capital lease	31,060	(68,482)

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	\$ 11,817	
Decrease (increase) in net OPEB obligation	(14,000)	
Decrease (increase) in accrued interest payable	117,950	
Amortization of bond premium	4,393	120,160

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.

3,131

Change in net position of governmental activities	\$	<u>2,253,580</u>
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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, 2013

	Enterprise Fund Fairview Water Fund	Internal Service Funds
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 89,659	\$ 62,756
Investments	15,634	94,420
Accounts receivables, net of allowance for uncollectibles	19,746	-
Total current assets	<u>\$ 125,039</u>	<u>\$ 157,176</u>
Capital assets:		
Land	\$ 10,648	-
Machinery and equipment	32,310	-
Infrastructure	3,107,276	-
Less accumulated depreciation	(994,926)	-
Total capital assets	<u>\$ 2,155,308</u>	<u>\$ -</u>
Total noncurrent assets	<u>\$ 2,155,308</u>	<u>\$ -</u>
Total assets	<u>\$ 2,280,347</u>	<u>\$ 157,176</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 13,802	\$ 117
Customers' deposits	18,661	-
Accrued interest payable	1,039	-
Bonds payable - current portion	15,901	-
Total current liabilities	<u>\$ 49,403</u>	<u>\$ 117</u>
Noncurrent liabilities:		
Bonds payable - net of current portion	\$ 589,239	-
Total noncurrent liabilities	<u>\$ 589,239</u>	<u>\$ -</u>
Total liabilities	<u>\$ 638,642</u>	<u>\$ 117</u>
NET POSITION		
Net investment in capital assets	\$ 1,550,168	-
Unrestricted	91,537	157,059
Total net position	<u>\$ 1,641,705</u>	<u>\$ 157,059</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, 2013

	Enterprise Fund Fairview Water Fund	Internal Service Funds
OPERATING REVENUES		
Charges for services:		
Water revenues	\$ 193,350	\$ -
Insurance premiums	-	89,040
Total operating revenues	<u>\$ 193,350</u>	<u>\$ 89,040</u>
OPERATING EXPENSES		
Salaries and wages	\$ 22,128	-
Employee benefits	2,867	-
Utilities	4,098	-
Professional services	101,771	-
Materials and supplies	10,234	-
Travel	8,262	-
Maintenance services	22,067	-
Insurance claims and expenses	-	85,909
Miscellaneous	1,513	-
Depreciation	82,105	-
Total operating expenses	<u>\$ 255,045</u>	<u>\$ 85,909</u>
Operating income (loss)	<u>\$ (61,695)</u>	<u>\$ 3,131</u>
NONOPERATING REVENUES (EXPENSES)		
Interest expense	<u>\$ (23,516)</u>	<u>\$ -</u>
Income before transfers	<u>\$ (85,211)</u>	<u>\$ 3,131</u>
Transfers in	\$ 10,000	-
Transfers out	(268,168)	-
Change in net position	<u>\$ (343,379)</u>	<u>\$ 3,131</u>
Total net position - beginning	1,985,084	153,928
Total net position - ending	<u><u>\$ 1,641,705</u></u>	<u><u>\$ 157,059</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, 2013

	Enterprise Fund Fairview Water Fund	Internal Service Funds
CASH FLOWS FROM BY OPERATING ACTIVITIES		
Receipts from customers and users	\$ 197,115	\$ -
Receipts for insurance premiums	-	89,040
Payments to suppliers	(142,631)	-
Payments to and for employees	(24,995)	-
Payments for insurance premiums	-	(85,792)
Net cash provided by (used for) operating activities	<u>\$ 29,489</u>	<u>\$ 3,248</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers to other funds	\$ (268,168)	\$ -
Transfers from other funds	10,000	-
Net cash provided by (used for) noncapital financing activities	<u>\$ (258,168)</u>	<u>\$ -</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal payments on bonds	\$ (17,356)	\$ -
Interest payments	(23,456)	-
Net cash provided by (used for) capital and related financing activities	<u>\$ (40,812)</u>	<u>\$ -</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale (purchase) of investments	\$ (413)	\$ (5,100)
Net cash provided by (used for) investing activities	<u>(413)</u>	<u>(5,100)</u>
Net increase (decrease) in cash and cash equivalents	\$ (269,904)	\$ (1,852)
Cash and cash equivalents - beginning	359,563	64,608
Cash and cash equivalents - ending	<u>\$ 89,659</u>	<u>\$ 62,756</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ (61,695)	\$ 3,131
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:		
Depreciation expense	\$ 82,105	\$ -
Prior year CIP project expensed	5,750	-
(Increase) decrease in accounts receivable	1,269	-
Increase (decrease) in accounts payable	(436)	117
Increase (decrease) in customer deposits	2,496	-
Total adjustments	<u>\$ 91,184</u>	<u>\$ 117</u>
Net cash provided by (used for) operating activities	<u>\$ 29,489</u>	<u>\$ 3,248</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, 2013

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 257,628
Investments	
Other investments	171,902
Total assets	<u>\$ 429,530</u>
LIABILITIES	
Due to other governmental units	\$ 32,903
Amounts held for social services clients	15,870
Amounts held for subsequent remittance to State for surcharge	367
Amounts held for Mt. Rogers Alcohol Safety Action Program	310,353
Amounts held for Grayson Regional Library	70,037
Total liabilities	<u>\$ 429,530</u>

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

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Note 1-Summary of Significant Accounting Policies:

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

A. Financial Reporting Entity

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

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

Discretely Presented Component Units - The component unit 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, 2013, the County contributed \$50,000.
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, 2013, the County contributed \$235,000.
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, 2013.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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, 2013, 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 (government 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.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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 uncollectible 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.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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 *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's internal service funds are charges to customers for sales and services. Operating expenses for internal service funds include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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

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

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

D. Assets, liabilities, 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 non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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

3. Property Taxes

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

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 \$104,481 at June 30, 2013 and is comprised solely of property taxes.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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

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

5. Use of Estimates

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

6. Capital assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized for the fiscal year ending June 30, 2013.

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 (expense/expenditure) until then. The County does not have any deferred outflows of resources as of June 30, 2013.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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

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. The County has one type of item 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
JUNE 30, 2013

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, 2013 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.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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
JUNE 30, 2013

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 (except the School Fund), Debt Service Funds, and the General Capital Projects Funds. The School Fund and School Capital Projects Fund are integrated only at the level of legal adoption.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all County units. The County's practice is to appropriate Capital Projects by Project. Several supplemental appropriations were necessary during this fiscal year.
 - 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, 2013, expenditures did not exceed appropriations.

C. Deficit fund equity

At June 30, 2013, 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 2.2-400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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, 2013 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

<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>	
	<u>AAAm</u>	
LGIP	\$	6,281,936
SNAP		206,780

Concentration of Credit Risk:

At June 30, 2013, 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, 2013, the County did not have any investments meeting the GASB 40 definition requiring interest rate risk disclosures.

The State Non-Arbitrage Pool (SNAP) is an open-end management investment company registered with the Securities and Exchange Commission.

The fair value of the positions in the external investment pool (Local Government Investment Pool (LGIP) and State Non Arbitrage Pool (SNAP)) is the same as the value of the pool shares. As 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
JUNE 30, 2013**

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>
ASAP	\$ 32,903	\$ -
<u>Commonwealth of Virginia:</u>		
Local sales tax	61,587	-
Communications tax	75,447	-
State sales tax	-	342,792
Categorical aid	213,789	-
Non-categorical aid	7,150	-
Virginia public assistance funds	51,742	-
Community services act	136,018	-
<u>Federal Government:</u>		
Virginia public assistance funds	63,783	-
School grants	-	553,250
	<u> </u>	<u> </u>
Totals	\$ 642,419	\$ 896,042

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>\$ 935,419</u>
Component Unit - School Board:		
School Fund	<u>\$ 935,419</u>	<u>\$ -</u>

COUNTY OF GRAYSON, VIRGINIA

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

Note 6-Interfund Transfers:

Interfund transfers for the fiscal year ended June 30, 2013 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ 1,906,224	\$ 1,648,056
Fairview Water Fund	10,000	268,168
Total	<u>\$ 1,916,224</u>	<u>\$ 1,916,224</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 Activity Indebtedness:

The following is a summary of long-term obligations transactions of the County for the year ended June 30, 2013:

	<u>Balance July 1, 2012</u>	<u>Increases/ Issuances</u>	<u>Decreases/ Retirements</u>	<u>Balance June 30, 2013</u>
General obligation bonds	\$ 1,133,426	\$ 15,670,000	\$ (76,596)	\$ 16,726,830
Premium on bond	61,504	2,157,388	(4,393)	2,214,499
Lease revenue note	17,900,000	250,000	(17,902,210)	247,790
Capital lease (Note 9)	63,829	-	(31,060)	32,769
Landfill closure/ postclosure liability	56,479	960	-	57,439
Net OPEB obligation	76,600	40,000	(26,000)	90,600
Compensated absences	106,824	-	(11,817)	95,007
Total	<u>\$ 19,398,662</u>	<u>\$ 18,118,348</u>	<u>\$ (18,052,076)</u>	<u>\$ 19,464,934</u>

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Note 7-Long-Term Obligations:

Primary Government - Governmental Activity Indebtedness:

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
2014	\$ 77,081	\$ 502,072	\$ 3,015	\$ 8,625
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
2019-2023	3,616,715	2,676,672	19,276	38,924
2024-2028	4,373,187	1,665,483	22,956	35,244
2029-2033	5,105,000	662,299	27,339	30,861
2034-2038	1,135,000	20,146	32,560	25,640
2039-2043			38,777	19,423
2044-2048			46,181	12,019
2049-2053			44,516	3,347
Totals	<u>\$ 16,726,830</u>	<u>\$ 8,196,261</u>	<u>\$ 247,790</u>	<u>\$ 207,473</u>

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COUNTY OF GRAYSON, VIRGINIA

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

Note 7-Long-Term Obligations: (Continued)

Primary Government - Governmental Activity Indebtedness: (Continued)

Details of long-term indebtedness:

	<u>Interest Rates</u>	<u>Date Issued</u>	<u>Final Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Balance Governmental Activities</u>	<u>Amount Due Within One Year</u>
<u>General Obligation Bonds:</u>						
General Obligation Bond	5.10%	11/10/05	2025	\$ 585,603	\$ 411,830	\$ 27,081
General Obligation Bond	5.10%	11/10/05	2025	995,000	645,000	50,000
General Obligation Bond	3.05%-5.05%	05/09/13	2034	15,670,000	15,670,000	-
Subtotal					\$ 16,726,830	\$ 77,081
Premium on Bond				87,862	57,111	4,393
Premium on Bond				2,157,388	2,157,388	102,733
Total General Obligation Bonds					\$ 18,941,329	\$ 184,207
<u>Lease Revenue Note:</u>						
Lease revenue note	3.50%	09/11/12	2053	\$ 250,000	\$ 247,790	\$ 3,015
<u>Other Obligations:</u>						
Landfill closure/post-closure liability					\$ 57,439	\$ -
Capital lease (Note 9)					32,769	-
Net OPEB obligation					90,600	-
Compensated Absences					95,007	-
Total Other Obligations					\$ 275,815	\$ -
Total Long-Term Obligations					\$ 19,464,934	\$ 187,222

Primary Government – Business-type Activity Indebtedness:

The following is a summary of long-term obligations transactions of the Enterprise Fund for the year ended June 30, 2013:

	<u>Balance July 1, 2012</u>	<u>Issuances</u>	<u>Retirements</u>	<u>Balance June 30, 2013</u>
Revenue Bonds	\$ 622,497	\$ -	\$ (17,357)	\$ 605,140
Total	\$ 622,497	\$ -	\$ (17,357)	\$ 605,140

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Note 7-Long-Term Obligations: (Continued)

Primary Government – Business-type Activity Indebtedness: (Continued)

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

Year Ending June 30,	Revenue Bonds	
	Principal	Interest
2014	\$ 15,901	\$ 19,877
2015	18,833	21,775
2016	19,660	20,948
2017	20,526	20,082
2018	21,433	19,175
2019-2023	122,344	80,695
2024-2028	152,440	50,600
2029-2033	73,575	22,643
2034-2038	41,460	16,680
2039-2043	46,682	11,458
2044-2048	52,562	5,578
2049-2050	19,724	427
Totals	<u>\$ 605,140</u>	<u>\$ 289,938</u>

Details of long-term indebtedness:

	<u>Interest Rates</u>	<u>Date Issued</u>	<u>Final Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Balance Business-Type Activities</u>	<u>Amount Due Within One Year</u>
<u>Revenue Bonds:</u>						
Rural Development Water Revenue Bonds	5.00%	09/01/92	2032	\$ 491,600	\$ 320,347	\$ 10,984
Rural Development Water Revenue Bonds	2.50%	05/06/10	2050	290,000	284,793	4,917
Total Revenue Bonds					<u>\$ 605,140</u>	<u>\$ 15,901</u>

COUNTY OF GRAYSON, VIRGINIA

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

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

Discretely Presented Component Unit-School Board-Indebtedness:

The following is a summary of long-term obligation transactions of the Component-Unit School Board for the year ended June 30, 2013:

	<u>Balance July 1, 2012</u>	<u>Increases/ Issuances</u>	<u>Decreases/ Retirements</u>	<u>Balance June 30, 2013</u>
Net OPEB obligation	\$ 363,300	\$ 207,500	\$ (158,000)	\$ 412,800
Early retirement incentive plan	453,282	-	(76,190)	377,092
Compensated absences	256,023	-	(9,024)	246,999
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	\$ 1,072,605	\$ 207,500	\$ (243,214)	\$ 1,036,891

Details of long-term indebtedness:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<u>Other Obligations:</u>		
Net OPEB obligation	\$ 412,800	\$ -
Early retirement incentive plan	377,092	-
Compensated absences	246,999	-
	<u> </u>	<u> </u>
Total Long-Term Obligations	\$ 1,036,891	\$ -

Note 9-Capital Lease:

Primary Government:

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

The assets acquired through the capital lease are as follows:

	<u>Governmental Activities</u>
Asset:	
Machinery and equipment	\$ 101,069
Less: Accumulated depreciation	<u>(29,628)</u>
Total	<u><u>\$ 71,441</u></u>

COUNTY OF GRAYSON, VIRGINIA

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

Note 9-Capital Lease: (Continued)

Primary Government: (Continued)

The future minimum lease obligations and the net present value of the minimum lease payments as of June 30, 2013, were as follows:

Fiscal Year Ended	Governmental Activities
<u>2014</u>	<u>\$ 34,571</u>
Total minimum lease payments	\$ 34,571
Less: amount representing interest	(1,802)
Present value of minimum lease payments	<u>\$ 32,769</u>

Note 10-Employee Retirement System and Defined Benefit Pension Plan:

A. Plan Description

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

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

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

- Members hired before July 1, 2010 and who were vested as of January 1, 2013 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least five years of service credit or age 50 with at least 10 years of service credit.
- Members hired or rehired on or after July 1, 2010 and Plan 1 members who were not vested on January 1, 2013 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Note 10-Employee Retirement System and Defined Benefit Pension Plan: (Continued)

A. Plan Description (Continued)

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

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70 %. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. The multiplier for Plan 2 members was reduced to 1.65% effective January 1, 2013 unless they are hazardous duty employees and their employer has elected the enhanced retirement multiplier. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

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

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2012-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Note 10-Employee Retirement System and Defined Benefit Pension Plan: (Continued)

B. Funding Policy

Primary Government:

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. 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 is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County's contribution rate for the fiscal year ended 2013 was 18.69% of annual covered payroll.

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

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. 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 School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The School Board's contribution rate for the fiscal year ended 2013 was 10.23% of annual covered payroll.

COUNTY OF GRAYSON, VIRGINIA

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

Note 10-Employee Retirement System and Defined Benefit Pension Plan: (Continued)

C. Annual Pension Cost

For fiscal year 2013, the County of Grayson, Virginia's annual pension cost of \$517,771 and \$120,084 was equal to the County of Grayson, Virginia's required and actual contributions for the County and the School Board Non-Professional, respectively.

	Fiscal Year Ending	Three-Year Trend Information		
		Annual Pension Cost (APC) ¹	Percentage of APC Contributed	Net Pension Obligation
Primary Government:				
County	6/30/2013	\$ 517,771	100.00%	\$ -
	6/30/2012	495,165	100.00%	-
	6/30/2011	488,648	100.00%	-
Discretely Presented-Component Unit:				
School Board Non-Professional	6/30/2013	\$ 120,084	100.00%	\$ -
	6/30/2012	89,421	100.00%	-
	6/30/2011	90,260	100.00%	-

¹ Employer portion only

The FY 2013 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% 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 of Grayson, Virginia's and the School Board's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County of Grayson, Virginia's and the School Board's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Note 10-Employee Retirement System and Defined Benefit Pension Plan: (Continued)

D. Funding Status and Funding Progress

Primary Government:

As of June 30, 2012, the most recent actuarial valuation date, the plan was 65.52% funded. The actuarial accrued liability for benefits was \$20,322,208 and the actuarial value of assets was \$13,314,491, resulting in an unfunded actuarial accrued liability (UAAL) of \$7,007,717. The covered payroll (annual payroll of active employees covered by the plan) was \$3,382,657, and ratio of the UAAL to the payroll was 207.17%.

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

As of June 30, 2012, the most recent actuarial valuation date, the plan was 75.95% funded. The actuarial accrued liability for benefits was \$4,952,122, and the actuarial value of assets was \$3,760,947, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,191,175. The covered payroll (annual payroll of active employees covered by the plan) was \$1,204,098, and the ratio of the UAAL to the covered payroll was 98.93%.

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

E. Discretely Presented Component Unit School Board

PROFESSIONAL EMPLOYEES:

Plan Description

The Grayson County School Board contributes to the Virginia Retirement System (VRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System. VRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia. The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at <http://www.varetire.org/Pdf/Publications/2012-annual-report.pdf> or obtained by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Note 10-Employee Retirement System and Defined Benefit Pension Plan: (Continued)

b. Discretely Presented Component Unit School Board (Continued)

PROFESSIONAL EMPLOYEES: (Continued)

Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All of part of the 5.00% member contribution may be assumed by the employer. In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The School Board's contribution to the statewide cost sharing pool for professional employees was \$1,049,617, \$1,027,763, and \$808,351, for the fiscal years ended 2013, 2012, and 2011, respectively. Employer contributions represented 11.66%, 6.33%, and 3.93%, of covered payroll for the fiscal years ended 2013, 2012, and 2011, respectively.

Note 11-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. Additionally, the School System had an Early Retirement Incentive Program that gave employees the option to retire at an earlier age with sufficient years of service. The program is no longer available, but benefits are still being paid. The plan can be amended by School Board action and does not issue a publicly available report.

B. Funding Policy

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

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

COUNTY OF GRAYSON, VIRGINIA

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

Note 11-Other Postemployment Benefits – Health Insurance: (Continued)

C. Annual OPEB Cost and Net OPEB Obligation

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

	County	School Board	Total
Annual required contribution	\$ 42,700	\$ 220,300	\$ 263,000
Interest on net OPEB obligation	3,100	14,500	17,600
Adjustment to annual required contribution	(5,800)	(27,300)	(33,100)
Annual OPEB cost (expense)	40,000	207,500	247,500
Contributions made	(26,000)	(158,000)	(184,000)
Increase in net OPEB obligation	14,000	49,500	63,500
Net OPEB obligation - beginning of year	76,600	363,300	439,900
Net OPEB obligation - end of year	\$ 90,600	\$ 412,800	\$ 503,400

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 2013 and the two preceding years were as follows:

County:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2013	\$ 40,000	65%	\$ 90,600
6/30/2012	67,300	76%	76,600
6/30/2011	51,200	68%	60,600

School Board

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2013	\$ 207,500	76%	\$ 412,800
6/30/2012	272,700	91%	363,300
6/30/2011	275,200	83%	339,600

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Note 11-Other Postemployment Benefits: (Continued)

D. Funded Status and Funding Progress

Primary Government:

As of July 1, 2012, the most recent actuarial valuation date, the actuarial accrued liabilities (AAL) were \$353,700, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$3,165,300, and ratio of the UAAL to the covered payroll was 11.2%.

Component Unit – School Board:

As of July 1, 2012, the most recent actuarial valuation date, the actuarial accrued liabilities (AAL) were \$2,044,000, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$10,445,800, and ratio of the UAAL to the covered payroll was 19.6%.

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, 2012, was 30 years.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Note 12-Capital Assets:

Capital asset activity for the year ended June 30, 2013 was as follows:

Primary Government:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 720,638	\$ 29,149	\$ -	\$ 749,787
Construction in progress	5,102	39,098	(16,045)	28,155
Total capital assets not being depreciated	<u>\$ 725,740</u>	<u>\$ 68,247</u>	<u>\$ (16,045)</u>	<u>\$ 777,942</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 25,883,045	\$ 220,751	\$ -	\$ 26,103,796
Machinery and equipment	1,818,601	178,191	(151,282)	1,845,510
Total capital assets being depreciated	<u>\$ 27,701,646</u>	<u>\$ 398,942</u>	<u>\$ (151,282)</u>	<u>\$ 27,949,306</u>
Accumulated depreciation:				
Buildings and improvements	\$ (2,867,197)	\$ (669,593)	\$ -	\$ (3,536,790)
Machinery and equipment	(1,228,997)	(225,680)	151,282	(1,303,395)
Total accumulated depreciation	<u>\$ (4,096,194)</u>	<u>\$ (895,273)</u>	<u>\$ 151,282</u>	<u>\$ (4,840,185)</u>
Total capital assets being depreciated, net	<u>\$ 23,605,452</u>	<u>\$ (496,331)</u>	<u>\$ -</u>	<u>\$ 23,109,121</u>
Governmental activities capital assets, net	<u>\$ 24,331,192</u>	<u>\$ (428,084)</u>	<u>\$ (16,045)</u>	<u>\$ 23,887,063</u>

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COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Note 12-Capital Assets: (Continued)

Primary Government: (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 10,648	\$ -	\$ -	\$ 10,648
Construction in progress	5,750	-	(5,750)	-
Total capital assets not being depreciated	<u>\$ 16,398</u>	<u>\$ -</u>	<u>\$ (5,750)</u>	<u>\$ 10,648</u>
Capital assets, being depreciated:				
Infrastructure	\$ 3,107,276	\$ -	\$ -	\$ 3,107,276
Machinery and equipment	32,310	-	-	32,310
Total capital assets being depreciated	<u>\$ 3,139,586</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,139,586</u>
Accumulated depreciation:				
Infrastructure	\$ (900,398)	\$ (77,682)	\$ -	\$ (978,080)
Machinery and equipment	(12,423)	(4,423)	-	(16,846)
Total accumulated depreciation	<u>\$ (912,821)</u>	<u>\$ (82,105)</u>	<u>\$ -</u>	<u>\$ (994,926)</u>
Total capital assets being depreciated, net	<u>\$ 2,226,765</u>	<u>\$ (82,105)</u>	<u>\$ -</u>	<u>\$ 2,144,660</u>
Business-type activities capital assets, net	<u>\$ 2,243,163</u>	<u>\$ (82,105)</u>	<u>\$ (5,750)</u>	<u>\$ 2,155,308</u>

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COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Note 12-Capital Assets: (Continued)

Primary Government: (Continued)

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

Governmental activities:	
General government administration	\$ 64,137
Judicial administration	6,379
Public safety	99,382
Public works	138,808
Health and welfare	3,936
Education	509,465
Parks, recreation, and culture	9,357
Community development	63,809
Total depreciation expense-governmental activities	<u>\$ 895,273</u>
Business type activities:	
Water	<u>\$ 82,105</u>
Total depreciation expense-business type activities	<u>\$ 82,105</u>

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COUNTY OF GRAYSON, VIRGINIA

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

Note 12-Capital Assets: (Continued)

Capital asset activity for the School Board for the year ended June 30, 2013 was as follows:

Discretely Presented Component Unit:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 144,690	\$ -	\$ -	\$ 144,690
Construction in progress	-	237,066	(58,601)	178,465
Total capital assets not being depreciated	<u>\$ 144,690</u>	<u>\$ 237,066</u>	<u>\$ (58,601)</u>	<u>\$ 323,155</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 13,918,695	\$ 63,851	\$ -	\$ 13,982,546
Machinery and equipment	3,848,699	279,342	-	4,128,041
Total capital assets being depreciated	<u>\$ 17,767,394</u>	<u>\$ 343,193</u>	<u>\$ -</u>	<u>\$ 18,110,587</u>
Accumulated depreciation:				
Buildings and improvements	\$ (9,691,307)	\$ (354,440)	\$ -	\$ (10,045,747)
Machinery and equipment	(2,684,215)	(197,772)	-	(2,881,987)
Total accumulated depreciation	<u>\$ (12,375,522)</u>	<u>\$ (552,212)</u>	<u>\$ -</u>	<u>\$ (12,927,734)</u>
Total capital assets being depreciated, net	<u>\$ 5,391,872</u>	<u>\$ (209,019)</u>	<u>\$ -</u>	<u>\$ 5,182,853</u>
Governmental activities capital assets, net	<u><u>\$ 5,536,562</u></u>	<u><u>\$ 28,047</u></u>	<u><u>\$ (58,601)</u></u>	<u><u>\$ 5,506,008</u></u>

Note 13-Risk Management:

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

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Note 14-Contingent Liabilities:

Federal programs in which the County and its component units participate were audited in accordance with the provisions of U.S. Office of Management and 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 15-Surety Bonds:

Primary Government:

Fidelity & Deposit Company of Maryland-Surety:

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

Travelers Casualty and Surety Company of America:

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

Component Unit – School Board:

Virginia School Board Association:

All School Board employees-blanket bond	\$ 250,000
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Note 16-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. \$57,439 is the total estimated post-closure care liability at June 30, 2013. 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 2013. Actual costs for post-closure monitoring may change due to inflation, deflation, changes in technology or changes in regulations.

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

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Note 17-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, 2013 was \$100,076.

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, 2013 was \$225,613.

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, 2013 was \$64,247.

Note 18-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, 2013, the unfunded balance of the early retirement incentive plan totaled \$377,092.

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

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Note 19-Unavailable Revenue:

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. Unavailable revenue in the general fund totaling \$11,198,071 is comprised of the following:

Unavailable Prepaid Property Taxes – Property taxes due subsequent to June 30, 2013, but paid in advance by the taxpayers totaled \$31,082 at June 30, 2013.

Unavailable Property Taxes Revenue – Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$11,166,989 (including tax billings of \$10,154,909 not due until December 5th) at June 30, 2013.

Note 20-Litigation:

At June 30, 2013, 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-Adoption of Accounting Principles:

Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, Statement No. 63 of the Governmental Accounting Standards Board:

The County implemented the financial reporting provisions of the above Statement for the fiscal year ended June 30, 2013. This Statement provides guidance for reporting deferred inflows and deferred outflows of resources. The requirements of this Statement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on an entity's net position. With the implementation of this Statement, certain terminology has changed and financial statement descriptions have changed from "net assets" to "net position." The net equity reported in the financial statements was not changed as a result of implementing this Statement and no restatement of prior balances is required.

Items Previously Reported as Assets and Liabilities, Statement No. 65 of the Governmental Accounting Standards Board:

The County implemented the financial reporting provisions of the above Statement for the fiscal year ended June 30, 2013. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The implementation of this Statement resulted in the following restatement of net position:

	General Fund
Net Position at 7/1/2012, as previously reported	\$ 13,797,527
Unamortized bond issuance costs expensed	(53,375)
Net Position at 7/1/2012, as restated	<u>\$ 13,744,152</u>

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Note 22-Pending GASB Statements:

The GASB has issued Statement No. 68, "Accounting and Financial Reporting for Pension; an amendment of GASB Statement No. 27." This Statement replaces the requirements of Statements 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 statement for fiscal years beginning after June 15, 2014. The County has not determined the impact of this pronouncement on its financial statements.

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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 9,266,900	\$ 9,266,900	\$ 9,677,846	\$ 410,946
Other local taxes	710,000	710,000	1,168,873	458,873
Permits, privilege fees, and regulatory licenses	71,000	71,000	84,070	13,070
Fines and forfeitures	22,500	22,500	27,735	5,235
Revenue from the use of money and property	42,000	61,604	50,675	(10,929)
Charges for services	1,362,750	1,375,718	1,612,113	236,395
Miscellaneous	123,150	171,954	172,230	276
Recovered costs	270,000	270,000	285,708	15,708
Intergovernmental revenues:				
Commonwealth	3,805,367	3,815,675	3,787,073	(28,602)
Federal	819,369	819,369	957,542	138,173
Total revenues	\$ 16,493,036	\$ 16,584,720	\$ 17,823,865	\$ 1,239,145
EXPENDITURES				
Current:				
General government administration	\$ 1,409,417	\$ 1,258,183	\$ 1,222,809	\$ 35,374
Judicial administration	876,015	888,511	786,241	102,270
Public safety	3,300,256	3,341,110	3,240,572	100,538
Public works	1,432,293	1,483,257	1,497,117	(13,860)
Health and welfare	2,570,467	2,570,472	2,569,675	797
Education	4,612,517	4,617,907	4,452,981	164,926
Parks, recreation, and cultural	452,739	460,319	462,165	(1,846)
Community development	1,039,209	1,499,943	700,556	799,387
Capital projects	975,000	975,000	20,500	954,500
Debt service:				
Principal retirement	-	-	18,009,866	(18,009,866)
Interest and other fiscal charges	-	-	763,379	(763,379)
Total expenditures	\$ 16,667,913	\$ 17,094,702	\$ 33,725,861	\$ (16,631,159)
Excess (deficiency) of revenues over (under) expenditures	\$ (174,877)	\$ (509,982)	\$ (15,901,996)	\$ (15,392,014)
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 1,906,224	\$ 1,906,224
Transfers out	-	-	(1,648,056)	(1,648,056)
Issuance of general obligation bonds	-	-	15,670,000	15,670,000
Issuance of lease revenue bonds	-	503,049	250,000	(253,049)
Premium on issuance of general obligation bonds	-	-	2,157,388	2,157,388
Total other financing sources (uses)	\$ -	\$ 503,049	\$ 18,335,556	\$ 17,832,507
Net change in fund balances	\$ (174,877)	\$ (6,933)	\$ 2,433,560	\$ 2,440,493
Fund balances - beginning	-	-	6,825,207	6,825,207
Fund balances - ending	\$ (174,877)	\$ (6,933)	\$ 9,258,767	\$ 9,265,700

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, 2013

	Community Development			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 1,903	\$ 1,903
Total revenues	\$ -	\$ -	\$ 1,903	\$ 1,903
EXPENDITURES				
Total expenditures	\$ -	\$ -	\$ -	\$ -
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 1,903	\$ 1,903
Net change in fund balances	\$ -	\$ -	\$ 1,903	\$ 1,903
Fund balances - beginning	-	-	436,866	436,866
Fund balances - ending	\$ -	\$ -	\$ 438,769	\$ 438,769

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, 2013

	Industrial Development				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)	
	Original	Final			
REVENUES					
Revenue from the use of money and property	\$ -	\$ -	\$ 2,334	\$	2,334
Total revenues	\$ -	\$ -	\$ 2,334	\$	2,334
EXPENDITURES					
Total expenditures	\$ -	\$ -	\$ -	\$	-
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 2,334	\$	2,334
Net change in fund balances	\$ -	\$ -	\$ 2,334	\$	2,334
Fund balances - beginning	-	-	618,742		618,742
Fund balances - ending	\$ -	\$ -	\$ 621,076	\$	621,076

County of Grayson, Virginia
Schedule of Pension and OPEB Funding Progress
For the Year Ended June 30, 2013

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, 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%
June 30, 2010	13,666,549	19,167,412	5,500,863	71.30%	3,378,670	162.81%

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, 2012	\$ -	\$ 353,700	\$ 353,700	0.00%	\$ 3,165,300	11.2%
July 1, 2011R	-	403,300	403,300	0.00%	3,466,000	11.6%
July 1, 2010	-	399,900	399,900	0.00%	3,382,000	11.8%

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, 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%
June 30, 2010	3,693,744	4,535,472	841,728	81.44%	1,222,230	68.87%

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, 2012	\$ -	\$ 2,044,000	\$ 2,044,000	0.00%	\$ 10,445,800	19.57%
July 1, 2010R	-	2,617,800	2,617,800	0.00%	11,019,600	23.76%
July 1, 2010	-	2,658,100	2,658,100	0.00%	10,750,800	24.72%

R indicates roll forward of prior years results per the previous actuarial valuation, no actuarial report provided

Other Supplementary Information

County of Grayson, Virginia
 Capital Projects Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2013

	School Construction Fund					
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)		
	Original	Final				
REVENUES						
Revenue from the use of money and property	\$	-	\$	-	\$ 516	\$ 516
Total revenues	\$	-	\$	-	\$ 516	\$ 516
EXPENDITURES						
Total expenditures	\$	-	\$	-	\$	-
Excess (deficiency) of revenues over (under) expenditures	\$	-	\$	-	\$ 516	\$ 516
Net change in fund balances	\$	-	\$	-	\$ 516	\$ 516
Fund balances - beginning		-		-	206,264	206,264
Fund balances - ending	\$	-	\$	-	206,780	\$ 206,780

FIDUCIARY FUNDS

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

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

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

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

County of Grayson, Virginia
Combining Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013

Agency Funds

	<u>Special Welfare</u>	<u>Building Code</u>	<u>ASAP</u>	<u>Regional Library</u>	<u>Total</u>
ASSETS					
Cash and cash equivalents	\$ 15,870	\$ 367	\$ 171,354	\$ 70,037	\$ 257,628
Investments:					
Other investments	-	-	171,902	-	171,902
Total assets	\$ 15,870	\$ 367	\$ 343,256	\$ 70,037	\$ 429,530
LIABILITIES					
Due to other governmental units	\$ -	\$ -	\$ 32,903	\$ -	\$ 32,903
Amounts held for social services clients	15,870	-	-	-	15,870
Amounts held for subsequent remittance to State for surcharge	-	367	-	-	367
Amounts held for Mt. Rogers Alcohol Safety Action Program	-	-	310,353	-	310,353
Amounts held for Grayson Regional Library	-	-	-	70,037	70,037
Total liabilities	\$ 15,870	\$ 367	\$ 343,256	\$ 70,037	\$ 429,530

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD

MAJOR GOVERNMENTAL FUNDS

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

County of Grayson, Virginia
Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2013

	School Operating Fund
ASSETS	
Cash in custody of others	\$ 787,591
Prepaid items	227,881
Receivables (net of allowance for uncollectibles):	
Accounts receivable	92,130
Due from other governmental units	896,042
Total assets	<u>\$ 2,003,644</u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 281,392
Accrued liabilities	786,413
Due to primary government	935,419
Total liabilities	<u>\$ 2,003,224</u>
Fund balances:	
Nonspendable	
Prepaid items	\$ 227,881
Committed	
Cafeteria	220
Unassigned	(227,681)
Total fund balances	<u>\$ 420</u>
Total liabilities and fund balances	<u>\$ 2,003,644</u>
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:	
Total fund balances per above	\$ 420
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Land	\$ 144,690
Buildings and improvements	3,936,799
Machinery and equipment	1,246,054
Construction in progress	<u>178,465</u>
	5,506,008
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	\$ (246,999)
Net OPEB obligation	(412,800)
ERIP liability	<u>(377,092)</u>
	(1,036,891)
Net position of governmental activities	<u>\$ 4,469,537</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, 2013

	School Operating Fund
REVENUES	
Revenue from the use of money and property	\$ 35
Charges for services	360,826
Miscellaneous	641,910
Recovered costs	23,562
Intergovernmental revenues:	
Local government	4,387,865
Commonwealth	11,736,310
Federal	4,854,790
Total revenues	<u>\$ 22,005,298</u>
EXPENDITURES	
Current:	
Education	\$ 22,006,833
Total expenditures	<u>\$ 22,006,833</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,535)</u>
Net change in fund balances	\$ (1,535)
Fund balances - beginning	1,955
Fund balances - ending	<u>\$ 420</u>
Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:	
Net change in fund balances - total governmental funds - per above	\$ (1,535)
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	\$ 521,658
Depreciation expense	<u>(552,212)</u>
	(30,554)
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	\$ 9,024
Decrease (increase) in net OPEB obligation	(49,500)
Decrease (increase) in ERIP liability	<u>76,190</u>
	35,714
Change in net position of governmental activities	<u>\$ 3,625</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, 2013

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 35	\$ 35
Charges for services	57,500	57,500	360,826	303,326
Miscellaneous	494,500	494,500	641,910	147,410
Recovered costs	145,853	145,853	23,562	(122,291)
Intergovernmental revenues:				
Local government	4,448,071	4,448,071	4,387,865	(60,206)
Commonwealth	11,387,453	11,387,453	11,736,310	348,857
Federal	3,759,534	3,769,534	4,854,790	1,085,256
Total revenues	\$ 20,292,911	\$ 20,302,911	\$ 22,005,298	\$ 1,702,387
EXPENDITURES				
Current:				
Education	\$ 20,287,713	\$ 20,287,713	\$ 22,006,833	\$ (1,719,120)
Total expenditures	\$ 20,287,713	\$ 20,287,713	\$ 22,006,833	\$ (1,719,120)
Excess (deficiency) of revenues over (under) expenditures	\$ 5,198	\$ 15,198	\$ (1,535)	\$ (16,733)
Net change in fund balances	\$ 5,198	\$ 15,198	\$ (1,535)	\$ (16,733)
Fund balances - beginning	-	-	1,955	1,955
Fund balances - ending	\$ 5,198	\$ 15,198	\$ 420	\$ (14,778)

Supporting Schedules

County of Grayson, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

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	\$ 7,685,000	\$ 7,685,000	\$ 7,921,004	\$ 236,004
Real and personal public service corporation taxes	165,000	165,000	206,466	41,466
Personal property taxes	1,185,000	1,185,000	1,204,791	19,791
Mobile home taxes	20,000	20,000	23,267	3,267
Machinery and tools taxes	85,000	85,000	80,300	(4,700)
Merchant's capital	28,400	28,400	40,938	12,538
Penalties	35,000	35,000	86,606	51,606
Interest	63,500	63,500	114,474	50,974
Total general property taxes	<u>\$ 9,266,900</u>	<u>\$ 9,266,900</u>	<u>\$ 9,677,846</u>	<u>\$ 410,946</u>
Other local taxes:				
Local sales and use taxes	\$ -	\$ -	\$ 407,213	\$ 407,213
Consumers' utility taxes	335,000	335,000	342,088	7,088
Utility license tax	35,000	35,000	37,288	2,288
Motor vehicle licenses	285,000	285,000	285,605	605
Franchise license tax	10,000	10,000	-	(10,000)
Taxes on wills	2,000	2,000	4,014	2,014
Taxes on recordation	35,000	35,000	71,019	36,019
Hotel and motel room taxes	8,000	8,000	10,792	2,792
Bank stock tax	-	-	10,854	10,854
Total other local taxes	<u>\$ 710,000</u>	<u>\$ 710,000</u>	<u>\$ 1,168,873</u>	<u>\$ 458,873</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 8,000	\$ 8,000	\$ 8,743	\$ 743
Zoning permits	2,500	2,500	3,145	645
Transfer fees	500	500	730	230
Erosion control	-	-	1,082	1,082
Building permits	60,000	60,000	70,370	10,370
Total permits, privilege fees, and regulatory licenses	<u>\$ 71,000</u>	<u>\$ 71,000</u>	<u>\$ 84,070</u>	<u>\$ 13,070</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 22,500	\$ 22,500	\$ 27,735	\$ 5,235
Revenue from use of money and property:				
Revenue from use of property	\$ 42,000	\$ 61,604	\$ 50,675	\$ (10,929)
Charges for services:				
Charges for special law enforcement	\$ -	\$ 12,750	\$ 10,235	\$ (2,515)
Charges for law enforcement and traffic control	40,750	40,750	55,261	14,511
Charges for courthouse maintenance	3,000	3,000	3,067	67
Charges for courthouse security	10,000	10,000	10,608	608
Charges for court appointed attorney	-	-	120	120
Charges for Commonwealth's Attorney	1,000	1,000	2,795	1,795
Miscellaneous jail and inmate fees	500	500	1,137	637
Charges for ASAP	8,000	8,000	6,821	(1,179)
Charges for law library	1,500	1,500	1,455	(45)
Charges for sanitation and waste removal	158,000	158,000	327,210	169,210
Charges for trash fees	1,030,000	1,030,000	1,114,601	84,601
Charges for recycling	35,000	35,218	14,505	(20,713)
Charges for parks and recreation	40,000	40,000	50,601	10,601
Other charges for services	35,000	35,000	13,697	(21,303)
Total charges for services	<u>\$ 1,362,750</u>	<u>\$ 1,375,718</u>	<u>\$ 1,612,113</u>	<u>\$ 236,395</u>

County of Grayson, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

Schedule 1
Page 2 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)				
Revenue from local sources: (Continued)				
Miscellaneous revenue:				
Miscellaneous	\$ 123,150	\$ 171,954	\$ 161,845	\$ (10,109)
Recreational donations	-	-	10,385	10,385
Total miscellaneous revenue	\$ 123,150	\$ 171,954	\$ 172,230	\$ 276
Recovered costs:				
City of Galax	\$ 270,000	\$ 270,000	\$ 285,708	\$ 15,708
Total revenue from local sources	\$ 11,868,300	\$ 11,949,676	\$ 13,079,250	\$ 1,129,574
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle rolling stock tax	\$ 2,000	\$ 2,000	\$ -	\$ (2,000)
Mobile home titling tax	5,000	5,000	6,797	1,797
Motor vehicle rental tax	-	-	512	512
Grantor's tax	3,000	3,000	18,079	15,079
State recordation tax	6,000	6,000	24,257	18,257
Communication tax	345,000	345,000	389,532	44,532
Personal property tax relief funds	430,000	430,000	437,787	7,787
Total noncategorical aid	\$ 791,000	\$ 791,000	\$ 876,964	\$ 85,964
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 276,619	\$ 276,619	\$ 226,254	\$ (50,365)
Sheriff	943,885	943,885	939,047	(4,838)
Commissioner of revenue	80,567	80,567	74,501	(6,066)
Treasurer	95,240	95,240	89,686	(5,554)
Registrar/electoral board	40,000	40,000	35,192	(4,808)
Clerk of the Circuit Court	208,211	208,211	215,059	6,848
Funds returned to the Commonwealth	-	-	(77,058)	(77,058)
Total shared expenses	\$ 1,644,522	\$ 1,644,522	\$ 1,502,681	\$ (141,841)
Other categorical aid:				
Public assistance and welfare administration	\$ 591,275	\$ 591,275	\$ 659,566	\$ 68,291
Comprehensive services act	553,000	553,000	474,223	(78,777)
Victim witness	26,095	26,095	41,035	14,940
Fire programs	45,000	45,000	39,712	(5,288)
Rescue squad assistance	15,000	15,000	14,940	(60)
Sheriff department grants	40,000	40,000	8,361	(31,639)
Courthouse green project grant	-	-	50,000	50,000
Tourism grant	10,000	10,000	7,980	(2,020)
Rents from mining on federal lands	1,000	1,000	1,043	43
Litter grant	6,000	6,000	8,352	2,352
Asset Forfeiture	-	-	7,106	7,106
Arts and humanities grant	2,000	2,000	2,000	-
School resource officer	-	-	5,909	5,909
Virginia Juvenile CCC	55,475	65,783	48,614	(17,169)
Criminal justice crime history records grant	-	-	30,954	30,954
Other state funds	25,000	25,000	7,633	(17,367)
Total other categorical aid	\$ 1,369,845	\$ 1,380,153	\$ 1,407,428	\$ 27,275
Total categorical aid	\$ 3,014,367	\$ 3,024,675	\$ 2,910,109	\$ (114,566)
Total revenue from the Commonwealth	\$ 3,805,367	\$ 3,815,675	\$ 3,787,073	\$ (28,602)

County of Grayson, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

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 revenues: (Continued)				
Revenue from the federal government:				
Non-categorical aid:				
Payments in lieu of taxes	\$ 11,000	\$ 11,000	\$ 14,032	\$ 3,032
Categorical aid:				
Public assistance and welfare administration	\$ 808,369	\$ 808,369	\$ 901,733	\$ 93,364
Emergency preparedness	-	-	23,705	23,705
Ground transportation grant	-	-	18,072	18,072
Total categorical aid	\$ 808,369	\$ 808,369	\$ 943,510	\$ 135,141
Total revenue from the federal government	\$ 819,369	\$ 819,369	\$ 957,542	\$ 138,173
Total General Fund	\$ 16,493,036	\$ 16,584,720	\$ 17,823,865	\$ 1,239,145
Special Revenue Funds:				
Community Development Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 1,903	\$ 1,903
Total revenue from use of money and property	\$ -	\$ -	\$ 1,903	\$ 1,903
Total revenue from local sources	\$ -	\$ -	\$ 1,903	\$ 1,903
Total Community Development Fund	\$ -	\$ -	\$ 1,903	\$ 1,903
Industrial Development Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 2,334	\$ 2,334
Total revenue from local sources	\$ -	\$ -	\$ 2,334	\$ 2,334
Total Industrial Development Fund	\$ -	\$ -	\$ 2,334	\$ 2,334
Capital Projects Fund:				
School Construction Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 516	\$ 516
Total School Construction Fund	\$ -	\$ -	\$ 516	\$ 516
Total Primary Government	\$ 16,493,036	\$ 16,584,720	\$ 17,828,618	\$ 1,243,898

County of Grayson, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

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	\$ -	\$ -	\$ 35	\$ 35
Charges for services:				
Special pupil fees	\$ 12,000	\$ 12,000	\$ 18,785	\$ 6,785
Textbook fees	500	500	-	(500)
Cafeteria sales	40,000	40,000	340,608	300,608
Transportation of pupils	5,000	5,000	1,433	(3,567)
Total charges for services	\$ 57,500	\$ 57,500	\$ 360,826	\$ 303,326
Miscellaneous revenue:				
Other miscellaneous	\$ 494,500	\$ 494,500	\$ 641,910	\$ 147,410
Recovered costs:				
Payments from other localities	\$ 145,853	\$ 145,853	\$ 23,562	\$ (122,291)
Total revenue from local sources	\$ 697,853	\$ 697,853	\$ 1,026,333	\$ 328,480
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Grayson, Virginia	\$ 4,448,071	\$ 4,448,071	\$ 4,387,865	\$ (60,206)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 2,012,401	\$ 2,012,401	\$ 2,011,529	\$ (872)
Basic school aid	5,773,981	5,773,981	5,936,330	162,349
Remedial summer education	34,731	34,731	54,756	20,025
ISAEP	7,859	7,859	11,058	3,199
Gifted and talented	52,946	52,946	54,267	1,321
Remedial education	224,447	224,447	230,045	5,598
Special education	688,304	688,304	705,472	17,168
Textbook payment	103,280	103,280	105,856	2,576
School food	12,838	12,838	12,363	(475)
Vocational standards of quality payments	191,068	191,068	195,833	4,765
Vocational adult education	-	-	546	546
Vocational education equipment	-	-	5,350	5,350
Social security fringe benefits	379,833	379,833	389,307	9,474
Retirement fringe benefits	633,056	633,056	648,846	15,790
Group life insurance fringe benefit	24,171	24,171	24,774	603
Early reading intervention	35,110	35,110	22,718	(12,392)
Special education - Homebound	33,140	33,140	20,255	(12,885)
Special education - tuition	160,373	160,373	127,694	(32,679)
School breakfast	6,118	6,118	7,657	1,539
Industry certification cost	-	-	3,352	3,352
Project graduation	13,318	13,318	7,152	(6,166)
Vocational occupational preparedness	35,500	35,500	22,751	(12,749)
Virginia preschool initiative	130,977	130,977	130,977	-
At risk payments	288,539	288,539	295,807	7,268
Jobs for Virginia graduates	21,000	21,000	21,000	-
National board certified teacher	-	-	15,000	15,000
Primary class size	133,201	133,201	139,952	6,751
Technology	232,000	232,000	310,000	78,000
Standards of Learning algebra readiness	29,601	29,601	29,601	-

County of Grayson, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

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 revenues: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Additional asst. ret. inflation preschool cost	\$ 104,025	\$ 104,025	\$ 104,025	\$ -
English as a second language	24,848	24,848	21,299	(3,549)
Virginia foundation for healthy youth	-	-	8,323	8,323
Other categorical aid	788	788	62,415	61,627
Total categorical aid	<u>\$ 11,387,453</u>	<u>\$ 11,387,453</u>	<u>\$ 11,736,310</u>	<u>\$ 348,857</u>
Total revenue from the Commonwealth	<u>\$ 11,387,453</u>	<u>\$ 11,387,453</u>	<u>\$ 11,736,310</u>	<u>\$ 348,857</u>
Revenue from the federal government:				
Categorical aid:				
Forest reserve fund	\$ 72,527	\$ 72,527	\$ 67,230	\$ (5,297)
Title I	806,297	806,297	993,086	186,789
1003 g school improvement-ARRA	500,000	500,000	573,739	73,739
Title VI-B, special education flow-through	483,941	483,941	800,826	316,885
Title VI-B, special education pre-school	22,077	22,077	38,240	16,163
Title IV	395,216	395,216	813,597	418,381
Title II, basic skills	112,942	122,942	125,306	2,364
Title V Innovative ed program strategies	41,378	41,378	-	(41,378)
Title III	1,334	1,334	1,334	-
National school breakfast program	216,298	216,298	200,356	(15,942)
National school lunch breakfast program	503,144	503,144	504,198	1,054
Surplus commodities	-	-	68,837	68,837
Education Jobs Fund - ARRA	554,182	554,182	554,182	-
Perkins	45,000	45,000	45,477	477
Learn and serve grant	-	-	21,403	21,403
Title VI, rural and low income school administration	-	-	46,979	46,979
Other categorical aid	5,198	5,198	-	(5,198)
Total categorical aid	<u>\$ 3,759,534</u>	<u>\$ 3,769,534</u>	<u>\$ 4,854,790</u>	<u>\$ 1,085,256</u>
Total revenue from the federal government	<u>\$ 3,759,534</u>	<u>\$ 3,769,534</u>	<u>\$ 4,854,790</u>	<u>\$ 1,085,256</u>
Total School Operating Fund	<u>\$ 20,292,911</u>	<u>\$ 20,302,911</u>	<u>\$ 22,005,298</u>	<u>\$ 1,702,387</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 20,292,911</u>	<u>\$ 20,302,911</u>	<u>\$ 22,005,298</u>	<u>\$ 1,702,387</u>

County of Grayson, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

Schedule 2
Page 1 of 3

<u>Fund, Function, Activity, and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 56,056	\$ 48,916	\$ 49,679	\$ (763)
General and financial administration:				
County administrator	\$ 429,667	\$ 424,626	\$ 418,050	\$ 6,576
Audit services	55,000	62,680	72,590	(9,910)
Legal services	40,000	40,000	30,091	9,909
Commissioner of revenue	253,134	253,134	248,942	4,192
Assessor	19,000	19,000	-	19,000
Treasurer	269,318	269,318	271,662	(2,344)
Other general and financial administration	175,896	7,947	-	7,947
Total general and financial administration	\$ 1,242,015	\$ 1,076,705	\$ 1,041,335	\$ 35,370
Board of elections:				
Registrar	\$ 78,743	\$ 78,403	\$ 78,275	\$ 128
Electoral board and officials	32,603	54,159	53,520	639
Total board of elections	\$ 111,346	\$ 132,562	\$ 131,795	\$ 767
Total general government administration	\$ 1,409,417	\$ 1,258,183	\$ 1,222,809	\$ 35,374
Judicial administration:				
Courts:				
Circuit court	\$ 4,800	\$ 31,790	\$ 31,831	\$ (41)
General district court	7,850	7,850	7,359	491
Special magistrates	1,720	1,720	442	1,278
Juvenile and domestic relations court	40,000	40,000	20,147	19,853
VJCCA	21,050	21,050	16,624	4,426
Courthouse	38,386	38,386	42,339	(3,953)
Law library	6,600	6,600	4,722	1,878
Community	37,675	47,983	47,958	25
Shoplifting	250	250	107	143
Substance	1,500	1,500	1,647	(147)
Anger	-	-	953	(953)
Clerk of the circuit court	316,209	291,400	280,764	10,636
Total courts	\$ 476,040	\$ 488,529	\$ 454,893	\$ 33,636
Commonwealth's attorney:				
Commonwealth's attorney	\$ 362,193	\$ 362,200	\$ 293,983	\$ 68,217
Victim witness	37,782	37,782	37,365	417
Total commonwealth's attorney	\$ 399,975	\$ 399,982	\$ 331,348	\$ 68,634
Total judicial administration	\$ 876,015	\$ 888,511	\$ 786,241	\$ 102,270
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 1,850,158	\$ 1,903,451	\$ 1,846,045	\$ 57,406
Fire and rescue services:				
Volunteer fire department	\$ 216,200	\$ 216,715	\$ 202,345	\$ 14,370
Ambulance and rescue services	176,930	176,930	159,800	17,130
E-911 fund	178,586	178,586	176,452	2,134
Total fire and rescue services	\$ 571,716	\$ 572,231	\$ 538,597	\$ 33,634
Correction and detention:				
Regional jail payments	\$ 615,000	\$ 592,882	\$ 592,964	\$ (82)

County of Grayson, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

Schedule 2
Page 2 of 3

<u>Fund, Function, Activity, and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public safety: (Continued)				
Inspections:				
Building	\$ 119,459	\$ 123,022	\$ 116,383	\$ 6,639
Other protection:				
Animal warden	\$ 98,947	\$ 103,586	\$ 101,021	\$ 2,565
Day report	43,976	44,938	45,382	(444)
Medical examiner	1,000	1,000	180	820
Total other protection	\$ 143,923	\$ 149,524	\$ 146,583	\$ 2,941
Total public safety	\$ 3,300,256	\$ 3,341,110	\$ 3,240,572	\$ 100,538
Public works:				
Sanitation and waste removal:				
Refuse collection	\$ 694,611	\$ 729,296	\$ 720,678	\$ 8,618
Refuse disposal	342,500	332,076	359,799	(27,723)
Recycling program	81,112	101,404	102,546	(1,142)
Total sanitation and waste removal	\$ 1,118,223	\$ 1,162,776	\$ 1,183,023	\$ (20,247)
Maintenance of general buildings and grounds:				
General properties	\$ 140,044	\$ 147,754	\$ 147,741	\$ 13
Public works	41,300	37,253	37,762	(509)
Jail building	19,400	19,400	17,190	2,210
Courthouse	106,226	110,610	110,967	(357)
Health center	3,500	1,864	214	1,650
Other maintenance	3,600	3,600	220	3,380
Total maintenance of general buildings and grounds	\$ 314,070	\$ 320,481	\$ 314,094	\$ 6,387
Total public works	\$ 1,432,293	\$ 1,483,257	\$ 1,497,117	\$ (13,860)
Health and welfare:				
Health:				
Supplement of local health department	\$ 167,310	\$ 167,310	\$ 167,310	\$ -
Mental health and mental retardation:				
Chapter X board	\$ 50,000	\$ 50,000	\$ 50,000	\$ -
Welfare:				
Welfare administration	\$ 1,017,242	\$ 1,017,247	\$ 1,106,530	\$ (89,283)
Public assistance	620,793	620,793	675,279	(54,486)
Comprehensive services act	700,000	700,000	556,529	143,471
Other welfare	15,122	15,122	14,027	1,095
Total welfare	\$ 2,353,157	\$ 2,353,162	\$ 2,352,365	\$ 797
Total health and welfare	\$ 2,570,467	\$ 2,570,472	\$ 2,569,675	\$ 797
Education:				
Other instructional costs:				
Contributions to Community College	\$ 59,726	\$ 65,116	\$ 65,116	\$ -
Contribution to County School Board	4,552,791	4,552,791	4,387,865	164,926
Total education	\$ 4,612,517	\$ 4,617,907	\$ 4,452,981	\$ 164,926
Parks, recreation, and cultural:				
Parks and recreation:				
Recreational	\$ 215,739	\$ 223,319	\$ 226,802	\$ (3,483)

County of Grayson, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

Schedule 2
Page 3 of 3

<u>Fund, Function, Activity, and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Parks, recreation, and cultural: (Continued)				
Library:				
Contribution to regional library	\$ 237,000	\$ 237,000	\$ 235,363	\$ 1,637
Total parks, recreation, and cultural	\$ 452,739	\$ 460,319	\$ 462,165	\$ (1,846)
Community development:				
Planning and community development:				
Planning commission	\$ 38,200	\$ 38,200	\$ 19,607	\$ 18,593
Tourism development	37,000	37,150	30,113	7,037
Twin county airport	40,000	58,873	58,873	-
Multi-flora rose	450	450	57	393
Economic development	106,278	87,405	51,875	35,530
Other community development	746,333	1,206,917	480,787	726,130
Total planning and community development	\$ 968,261	\$ 1,428,995	\$ 641,312	\$ 787,683
Environmental management:				
Contribution to soil and water district	\$ 10,000	\$ 10,000	\$ 7,000	\$ 3,000
Cooperative extension program:				
Extension office	\$ 60,948	\$ 60,948	\$ 52,244	\$ 8,704
Total community development	\$ 1,039,209	\$ 1,499,943	\$ 700,556	\$ 799,387
Capital projects:				
Other capital projects	\$ 975,000	\$ 975,000	\$ 20,500	\$ 954,500
Debt service:				
Principal retirement	\$ -	\$ -	\$ 18,009,866	\$ (18,009,866)
Interest and other fiscal charges	-	-	763,379	(763,379)
Total debt service	\$ -	\$ -	\$ 18,773,245	\$ (18,773,245)
Total General Fund	\$ 16,667,913	\$ 17,094,702	\$ 33,725,861	\$ (16,631,159)
Total Primary Government	\$ 16,667,913	\$ 17,094,702	\$ 33,725,861	\$ (16,631,159)
Discretely Presented Component Unit - School Board				
School Operating Fund:				
Education:				
Administration of schools:				
Administration, attendance and health	\$ 808,609	\$ 808,609	\$ 812,958	\$ (4,349)
Instructional costs:				
Classroom instruction	\$ 15,296,084	\$ 15,296,084	\$ 15,866,320	\$ (570,236)
Operating costs:				
School food	\$ 758,526	\$ 758,526	\$ 1,193,795	\$ (435,269)
Pupil transportation	1,475,574	1,475,574	1,755,242	(279,668)
Operation and maintenance of school plant	1,948,920	1,948,920	2,378,518	(429,598)
Total operating costs	\$ 4,183,020	\$ 4,183,020	\$ 5,327,555	\$ (1,144,535)
Total education	\$ 20,287,713	\$ 20,287,713	\$ 22,006,833	\$ (1,719,120)
Total School Operating Fund	\$ 20,287,713	\$ 20,287,713	\$ 22,006,833	\$ (1,719,120)
Total Discretely Presented Component Unit - School Board	\$ 20,287,713	\$ 20,287,713	\$ 22,006,833	\$ (1,719,120)

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
2012-13	\$ 979,020	\$ 791,486	\$ 3,265,425	\$ 1,294,578	\$ 2,563,894	\$ 4,980,545	\$ 471,473	\$ 764,628	\$ 641,036	\$ 278,561	\$ 16,030,646
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	2,365,991	3,299,957	184,361	396,003	18,590	133,723	11,411,750
2004-05	886,220	367,927	2,276,290	1,013,789	2,483,840	4,306,197	343,845	723,151	87,511	158,840	12,647,610
2003-04	815,905	285,987	2,016,822	919,099	2,842,738	4,007,809	331,340	452,427	124,277	122,592	11,918,996

Table 2

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

Fiscal Year	PROGRAM REVENUES				GENERAL REVENUES						Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs		
2012-13	\$ 1,917,268	\$ 3,853,619	\$ -	\$	9,882,433	1,168,873	55,428	172,230	890,996	\$	17,940,847
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	-		6,181,765	1,716,432	320,763	120,632	590,274		13,255,799
2006-07	397,917	3,629,836	185,121		6,112,092	1,668,962	296,834	224,502	596,605		13,111,869
2005-06	408,753	2,766,331	-		6,051,456	1,582,387	302,936	385,391	1,543,352		13,040,606
2004-05	423,183	2,826,205	-		6,044,936	1,653,557	160,420	253,822	2,759,376		14,121,499
2003-04	393,762	3,448,132	-		5,579,436	1,527,577	124,999	165,721	943,526		12,183,153

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
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
2003-04	774,740	414,770	2,026,132	1,007,432	2,875,274	18,806,243	330,782	453,787	502,748	27,191,908

(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
2012-13	\$ 9,677,846	\$ 1,188,873	\$ 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
2003-04	5,589,426	1,527,577	71,654	1,210	125,379	672,022	508,296	210,517	17,917,027	26,623,108

(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
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	6,486,946	6,212,415	95.62%	207,087	6,419,502	98.81%	523,523	8.06%
2005-06	6,507,897	6,200,206	95.27%	198,406	6,398,612	98.32%	532,713	8.19%
2004-05	6,349,758	6,122,542	96.42%	163,727	6,286,269	99.00%	453,537	7.14%
2003-04	5,902,071	5,693,158	96.46%	202,187	5,895,345	99.89%	457,901	7.76%

(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	
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
2003-04	798,173,951	107,768,327	538,703	12,972,169	26,710,965	29,379	946,193,494

(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
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
2003-04	0.53	1.35	1.35	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
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
2003-04	17,917	946,193	769,470	769,470	0.08%	43

(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
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%
2003-04	378,471	124,277	502,748	27,191,908	1.85%

(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 Board of Supervisors
County of Grayson, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Grayson, Virginia as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County of Grayson, Virginia's basic financial statements and have issued our report thereon dated February 4, 2014.

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. [2013-1]

Compliance and Other Matters

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

County of Grayson, Virginia's Response to 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
February 4, 2014

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 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, 2013. 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, 2013.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items [2013-2] that we consider to be significant deficiencies.

County of Grayson, Virginia's response to the internal control over compliance 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 compliance and, accordingly, we express no opinion on the response.

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
February 4, 2014

County of Grayson, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

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:			
Department of Social Services:			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.575	90116, 90117, 90118, 90236 90237, 90238, 90378	\$ 29,816
Promoting Safe and Stable Families	93.556	90249, 90360	7,636
Temporary Assistance for Needy Families	93.558	90109, 90110, 90111, 90112 90127, 90229, 90230, 90231 90232, 90247, 90366, 90409 90411, 90412, 90413	169,255
Refugee and Entrant Assistance - State Administered Programs	93.566	90113, 90233, 90413, 90713	534
Low-Income Home Energy Assistance	93.568	90114, 90115, 90234, 90235	14,782
Chafee Education and Training Vouchers Program	93.599	90353	4,414
Stephanie Tubbs Jones Child Welfare Services Program	93.645	90251	1,009
Foster Care - Title IV-E	93.658	90105, 90106, 90107, 90209 90225, 90226, 90227, 90253 90258, 90405, 90406, 90407 90636, 90637, 90639, 90658 90705, 90706, 90707, 90733 90738	157,251
Adoption Assistance	93.659	90108, 90214, 90228, 90408 90606, 90708	117,424
Social Services Block Grant	93.667	90120, 90122, 90123, 90240 90242, 90243, 90262, 90306 90312, 90322, 90339, 90340	117,517
Chafee Foster Care Independence Program	93.674	90254	3,356
Medical Assistance Program	93.778	90101, 90146, 90213, 90221 90266, 90401, 90446, 90701 90746	103,091
Children's Health Insurance Program	93.767	90102, 90222, 90402, 90702	3,904
Total Department of Health and Human Services			<u>\$ 729,989</u>
Department of Agriculture:			
Pass Through Payments:			
Child Nutrition Cluster:			
Department of Agriculture:			
Food Distribution (Note 3)	10.555	40623	\$ 68,837
Department of Education:			
National School Lunch Program	10.555	40623	<u>504,198</u> \$
National School Breakfast Program	10.553	40591	200,356
Department of Education:			
Schools and Roads - Grants to States	10.665	43841	67,230
Department of Social Services:			
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	90103, 90104, 90212, 90223 90224, 90403, 90404, 90703 90704	171,745
Total Department of Agriculture			<u>\$ 1,012,366</u>
Department of the Defense:			
Direct payments:			
Bureau of Land Management:			
Payments to States in Lieu of Real Estate Taxes	12.112	n/a	<u>\$ 14,032</u>
Department of Transportation:			
Pass Through Payments:			
Department of Motor Vehicles:			
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	59198	<u>\$ 18,072</u>

County of Grayson, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Homeland Security:			
Pass Through Payments:			
<i>Department of Emergency Services:</i>			
Emergency Management Performance Grant	97.042	52749	\$ 23,705
Corporation for National and Community Service			
Pass Through Payments:			
Department of Education:			
Learn and Serve America - School and Community Based Programs	94.004	60185	\$ 21,403
Department of Education:			
Pass Through Payments:			
<i>Department of Education:</i>			
<i>Special Education Cluster:</i>			
Special Education - Preschool Grants	84.173	62521	\$ 38,240
Special Education - Grants to States	84.027	43071	800,826
Title I: Grants to Local Educational Agencies	84.010	42892, 42901	993,086
Twenty-first Century Community Learning Centers	84.287	60565	813,597
Career and Technical Education: Basic Grants to States	84.048	61095	45,477
Rural Education	84.358	43481	46,979
Title III, Language Acquisition State Grant	84.365		1,334
Improving Teacher Quality State Grants	84.367	61480	125,305
ARRA - School Improvement Grants	84.388	42990	573,739
ARRA - Education Job Fund	84.410		554,182
Total Department of Education			\$ 3,992,765
Total Expenditures of Federal Awards			\$ 5,812,332

See accompanying notes to schedule of expenditures of federal awards.

Note 1 -- Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County of Grayson, Virginia under programs of the federal government for the year ended June 30, 2013. 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	\$ 957,542
Component Unit School Board:	
School Operating Fund	\$ 4,854,790
Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ 5,812,332

County of Grayson, Virginia

Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	Yes
Significant deficiencies?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	None reported
Significant deficiencies?	Yes
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:	

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
10.553/10.555/10.559	Child Nutrition Cluster
84.010	Title I
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, 2013

Section II - Financial Statement Findings

2013-1

Criteria:	Good internal controls over cash require that bank accounts be reconciled on a monthly basis and as soon after month-end as is possible.
Condition:	The Treasurer's office did not reconcile the County's main bank account consistently for most of the year ended June 30, 2013.
Cause of Condition:	There was a turnover in the Treasurer's bookkeeper position and the new bookkeeper did not receive adequate training.
Effect of Condition:	There existed a lack of good internal controls over the County's main bank account for the fiscal year ended June 30, 2013.
Recommendation:	All bank accounts should be reconciled promptly after each month end.
Management's Response	Management has acknowledged that it experienced a lack of good controls over cash due to the inexperience of new staff and is taking steps to correct the problem.

County of Grayson, Virginia

Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

Section III - Federal Award Findings and Questioned Costs

2013-2	
Program Titles:	Special Education Cluster
CFDA Numbers:	84.027
Compliance Requirement:	Cash Management
Finding Type:	Noncompliance
Criteria:	Per single audit cash management requirements, reimbursement requests should be submitted at a minimum quarterly.
Condition:	A review of reimbursement requests disclosed requests that were not being made in a timely manner.
Questioned Costs:	None
Context:	All reimbursement requests that related to the year under audit were reviewed for the above. Of the reimbursement requests reviewed, it was noted that numerous requests covered a time period of greater than three months.
Effect:	Reimbursements of local funds expended for Federal programs are not being received in a timely manner.
Cause:	Lack of appropriate procedures over cash management to ensure that reimbursement requests are submitted at least quarterly.
Recommendation:	Management should establish a policy requiring reimbursement requests for Federal programs to be submitted at a minimum of quarterly.
Management's Response and Planned Corrective Action:	Management of the School Board has acknowledged that a cash management policy is necessary and is working to have this implemented in the next year.

Section IV - Status of Prior Audit Findings

Finding 2013-2 is a repeat comment (2012-1) from June 30, 2012.