

COUNTY OF GRAYSON, VIRGINIA

FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2011

**COUNTY OF GRAYSON, VIRGINIA
FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2011**

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INTRODUCTORY SECTION

COUNTY OF GRAYSON, VIRGINIA

BOARD OF SUPERVISORS

Thomas M. Maynard Brenda R. Sutherland	Larry K. Bartlett, Chairman	Joe N. Vaughan Douglas Carrico
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COUNTY SCHOOL BOARD

Hobert Bailey Gary Burris	Misty Cassell, Chair	Shannon Holdaway Wynn Combs
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SOCIAL SERVICES BOARD

Mary Lucy Field	Ginger Meier, Chair	Joe N. Vaughan
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OTHER OFFICIALS

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

FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Grayson, Virginia, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Grayson, Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Grayson, Virginia, as of June 30, 2011, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, the County of Grayson, Virginia adopted the provisions of *GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions*, effective July 1, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2011 on our consideration of the County of Grayson, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, and schedules 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 schedules of funding progress in accordance with auditing standards

generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the schedules of funding progress because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

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

Robinson, Turner, & Associates

Blacksburg, Virginia
November 17, 2011

Basic Financial Statements

County of Grayson, Virginia
Statement of Net Assets
June 30, 2011

	Primary Government			Component Unit School Board
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 845,105	\$ 321,679	\$ 1,166,784	\$ -
Cash in custody of others	-	-	-	831,828
Investments	2,998,099	17,546	3,015,645	-
Receivables (net of allowance for uncollectibles):				
Taxes receivable	10,836,028	-	10,836,028	-
Accounts receivable	756,194	34,765	790,959	192,449
Notes receivable	177,945	-	177,945	-
Due from component unit	1,301,270	-	1,301,270	-
Due from other governmental units	599,284	-	599,284	997,560
Prepaid expenses	-	-	-	236,602
Capital assets (net of accumulated depreciation):				
Land	720,638	10,649	731,287	149,483
Buildings and system	23,015,255	-	23,015,255	4,572,975
Machinery and equipment	402,921	-	402,921	1,340,258
Infrastructure	-	2,284,559	2,284,559	-
Construction in progress	537,670	-	537,670	-
Total assets	<u>\$ 42,190,409</u>	<u>\$ 2,669,198</u>	<u>\$ 44,859,607</u>	<u>\$ 8,321,155</u>
LIABILITIES				
Accounts payable	\$ 356,066	\$ 13,974	\$ 370,040	\$ 146,713
Accrued liabilities	-	-	-	809,251
Customers' deposits	-	17,696	17,696	-
Accrued interest payable	277,472	1,570	279,042	-
Due to primary government	-	-	-	1,301,270
Deferred revenue	10,076,752	-	10,076,752	-
Long-term liabilities:				
Due within one year	105,411	12,275	117,686	-
Due in more than one year	19,729,904	622,833	20,352,737	1,140,843
Total liabilities	<u>\$ 30,545,605</u>	<u>\$ 668,348</u>	<u>\$ 31,213,953</u>	<u>\$ 3,398,077</u>
NET ASSETS				
Invested in capital assets, net of related debt	\$ 7,686,818	\$ 1,660,100	\$ 9,346,918	\$ 6,062,716
Unrestricted (deficit)	3,957,986	340,750	4,298,736	(1,139,638)
Total net assets	<u>\$ 11,644,804</u>	<u>\$ 2,000,850</u>	<u>\$ 13,645,654</u>	<u>\$ 4,923,078</u>

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

County of Grayson, Virginia
Statement of Activities
For the Year Ended June 30, 2011

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Business-type Activities	Component Unit
PRIMARY GOVERNMENT:							
Governmental activities:							
General government administration	\$ 1,086,469	\$ 7,270	\$ 204,692	\$ -	\$(874,507)	\$ -	\$(874,507)
Judicial administration	789,512	48,554	495,520	-	(245,438)	-	(245,438)
Public safety	2,991,393	119,934	951,359	-	(1,920,100)	-	(1,920,100)
Public works	1,326,795	1,400,798	6,933	-	80,936	-	80,936
Health and welfare	2,377,040	-	1,768,186	-	(608,854)	-	(608,854)
Education	4,960,032	-	-	-	(4,960,032)	-	(4,960,032)
Parks, recreation, and cultural	451,087	42,821	29,010	-	(379,256)	-	(379,256)
Community development	703,919	-	75,000	968,606	339,687	-	339,687
Interest on long-term debt	665,468	-	-	-	(665,468)	-	(665,468)
Total governmental activities	\$ 15,351,715	\$ 1,619,377	\$ 3,530,700	\$ 968,606	\$(9,233,032)	\$ -	\$(9,233,032)
Business-type activities:							
Water Authority	\$ 250,913	\$ 154,874	\$ -	\$ 162,061	\$ -	\$ 66,022	\$ 66,022
Total primary government	\$ 15,602,628	\$ 1,774,251	\$ 3,530,700	\$ 1,130,667	\$(9,233,032)	\$ 66,022	\$(9,167,010)
COMPONENT UNITS:							
School Board	\$ 22,621,285	\$ 366,107	\$ 16,410,407	\$ -	\$ -	\$ -	\$(5,844,771)
Total component units	\$ 22,621,285	\$ 366,107	\$ 16,410,407	\$ -	\$ -	\$ -	\$(5,844,771)
General revenues:							
General property taxes					\$ 9,705,791	\$ -	\$ 9,705,791
Other local taxes:							
Local sales and use taxes					426,067	-	426,067
Consumers' utility taxes					346,085	-	346,085
Motor vehicle licenses					335,000	-	335,000
Other local taxes					80,113	-	80,113
Unrestricted revenues from use of money and property					46,102	-	46,102
Miscellaneous					116,907	-	116,907
Payment from Grayson County					901,066	-	901,066
Grants and contributions not restricted to specific programs					105,269	54,988	160,257
Transfers					12,062,400	\$ 54,988	\$ 12,117,388
Total general revenues					\$ 2,829,368	\$ 121,010	\$ 2,950,378
Change in net assets					8,815,436	1,879,840	10,695,276
Net assets - beginning, as restated					11,644,804	2,000,850	13,645,654
Net assets - ending					\$ 9,829,372	\$ 3,879,690	\$ 13,709,062

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

County of Grayson, Virginia
Balance Sheet
Governmental Funds
June 30, 2011

	<u>General</u>	<u>Community Development</u>	<u>Industrial Development</u>	<u>School Construction</u>	<u>Total</u>
ASSETS					
Cash and cash equivalents	\$ 662,835	\$ -	\$ -	\$ -	\$ 662,835
Investments	1,775,529	369,788	553,267	205,738	2,904,322
Receivables (net of allowance for uncollectibles):					
Taxes receivable	10,836,028	-	-	-	10,836,028
Accounts receivable	756,194	-	-	-	756,194
Notes receivable	-	64,247	113,698	-	177,945
Due from component unit	1,301,270	-	-	-	1,301,270
Due from other governmental units	599,284	-	-	-	599,284
Total assets	<u>\$ 15,931,140</u>	<u>\$ 434,035</u>	<u>\$ 666,965</u>	<u>\$ 205,738</u>	<u>\$ 17,237,878</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 356,066	\$ -	\$ -	\$ -	\$ 356,066
Deferred revenue	10,746,932	-	-	-	10,746,932
Total liabilities	<u>\$ 11,102,998</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,102,998</u>
Fund balances:					
Restricted for:					
TEA	\$ 225,875	\$ -	\$ -	\$ -	\$ 225,875
DARE	5,785	-	-	-	5,785
Recreation	3,194	-	-	-	3,194
Special Law Enforcement	91,003	-	-	-	91,003
Capital Projects	-	-	-	205,738	205,738
Committed to:					
Law Library	3,829	-	-	-	3,829
Courthouse Security	98,998	-	-	-	98,998
Courthouse Maintenance	8,404	-	-	-	8,404
Community Development	-	434,035	-	-	434,035
Industrial Development	-	-	666,965	-	666,965
Assigned to:					
Reassessment	118,000	-	-	-	118,000
Contingency	642,789	-	-	-	642,789
Capital Improvement	76,769	-	-	-	76,769
Sheriff	210	-	-	-	210
Treasurer	210	-	-	-	210
Unassigned:	3,553,076	-	-	-	3,553,076
Total fund balances	<u>\$ 4,828,142</u>	<u>\$ 434,035</u>	<u>\$ 666,965</u>	<u>\$ 205,738</u>	<u>\$ 6,134,880</u>
Total liabilities and fund balances	<u>\$ 15,931,140</u>	<u>\$ 434,035</u>	<u>\$ 666,965</u>	<u>\$ 205,738</u>	<u>\$ 17,237,878</u>

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

County of Grayson, Virginia
 Reconciliation of the Balance Sheet of Governmental Funds
 To the Statement of Net Assets
 June 30, 2011

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 6,134,880
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	24,676,484
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	670,180
Internal service funds are used by management to charge the costs of certain activities, such as self insured health insurance plan, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	276,047
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(20,112,787)
Net assets of governmental activities	<u>\$ 11,644,804</u>

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

County of Grayson, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2011

	<u>General</u>	<u>Community Development</u>	<u>Industrial Development</u>	<u>School Construction</u>	<u>Total</u>
REVENUES					
General property taxes	\$ 9,648,978	\$ -	\$ -	\$ -	\$ 9,648,978
Other local taxes	1,187,265	-	-	-	1,187,265
Permits, privilege fees, and regulatory licenses	94,520	-	-	-	94,520
Fines and forfeitures	45,467	-	-	-	45,467
Revenue from the use of money and property	42,240	1,477	335	2,050	46,102
Charges for services	1,479,390	-	-	-	1,479,390
Miscellaneous	116,907	-	-	-	116,907
Recovered costs	289,495	-	-	-	289,495
Intergovernmental revenues:					
Commonwealth	3,462,104	-	75,000	-	3,537,104
Federal	1,863,268	-	-	-	1,863,268
Total revenues	<u>\$ 18,229,634</u>	<u>\$ 1,477</u>	<u>\$ 75,335</u>	<u>\$ 2,050</u>	<u>\$ 18,308,496</u>
EXPENDITURES					
Current:					
General government administration	\$ 1,293,198	\$ -	\$ -	\$ -	\$ 1,293,198
Judicial administration	781,229	-	-	-	781,229
Public safety	2,897,363	-	-	-	2,897,363
Public works	2,123,915	-	-	-	2,123,915
Health and welfare	2,367,933	-	-	-	2,367,933
Education	5,106,175	-	-	-	5,106,175
Parks, recreation, and cultural	494,889	-	-	-	494,889
Community development	582,763	-	75,000	-	657,763
Capital projects	362,875	-	-	1,255,022	1,617,897
Debt service:					
Principal retirement	2,358,145	-	-	-	2,358,145
Interest and other fiscal charges	80,708	-	-	311,681	392,389
Total expenditures	<u>\$ 18,449,193</u>	<u>\$ -</u>	<u>\$ 75,000</u>	<u>\$ 1,566,703</u>	<u>\$ 20,090,896</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (219,559)</u>	<u>\$ 1,477</u>	<u>\$ 335</u>	<u>\$ (1,564,653)</u>	<u>\$ (1,782,400)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ 2,170,724	\$ -	\$ 75,000	\$ 311,240	\$ 2,556,964
Transfers out	(1,867,868)	-	(25,000)	(557,616)	(2,450,484)
Issuance of general obligation debt	2,200,000	-	-	-	2,200,000
Total other financing sources (uses)	<u>\$ 2,502,856</u>	<u>\$ -</u>	<u>\$ 50,000</u>	<u>\$ (246,376)</u>	<u>\$ 2,306,480</u>
Net change in fund balances	\$ 2,283,297	\$ 1,477	\$ 50,335	\$ (1,811,029)	\$ 524,080
Fund balances - beginning	2,544,845	432,558	616,630	2,016,767	5,610,800
Fund balances - ending	<u>\$ 4,828,142</u>	<u>\$ 434,035</u>	<u>\$ 666,965</u>	<u>\$ 205,738</u>	<u>\$ 6,134,880</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, 2011

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

Net change in fund balances - total governmental funds	\$ 524,080
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.	2,441,781
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	56,813
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	141,291
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.	(284,543)
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.	(50,054)
Change in net assets of governmental activities	<u>\$ 2,829,368</u>

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

County of Grayson, Virginia
Statement of Net Assets
Proprietary Funds
June 30, 2011

	Enterprise Fund Fairview Water Fund	Internal Service Funds
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 321,679	\$ 182,270
Investments	17,546	93,777
Accounts receivables, net of allowance for uncollectibles	34,765	-
Total current assets	<u>\$ 373,990</u>	<u>\$ 276,047</u>
Capital assets:		
Land	\$ 10,649	\$ -
Machinery and equipment	8,000	-
Less accumulated depreciation	(8,000)	-
Infrastructure	3,107,274	-
Less accumulated depreciation	(822,715)	-
Total capital assets	<u>\$ 2,295,208</u>	<u>\$ -</u>
Total noncurrent assets	<u>\$ 2,295,208</u>	<u>\$ -</u>
Total assets	<u>\$ 2,669,198</u>	<u>\$ 276,047</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 13,974	\$ -
Customers' deposits	17,696	-
Accrued interest payable	1,570	-
Bonds payable - current portion	12,275	-
Total current liabilities	<u>\$ 45,515</u>	<u>\$ -</u>
Noncurrent liabilities:		
Bonds payable - net of current portion	\$ 622,833	\$ -
Total noncurrent liabilities	<u>\$ 622,833</u>	<u>\$ -</u>
Total liabilities	<u>\$ 668,348</u>	<u>\$ -</u>
NET ASSETS		
Invested in capital assets, net of related debt	\$ 1,660,100	\$ -
Unrestricted	340,750	276,047
Total net assets	<u>\$ 2,000,850</u>	<u>\$ 276,047</u>

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

County of Grayson, Virginia
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2011

	Enterprise Fund Fairview Water Fund	Internal Service Funds
OPERATING REVENUES		
Charges for services:		
Water revenues	\$ 154,874	\$ -
Insurance premiums	-	2,418,712
Total operating revenues	<u>\$ 154,874</u>	<u>\$ 2,418,712</u>
OPERATING EXPENSES		
Salaries and wages	\$ 20,687	\$ -
Employee benefits	2,111	-
Utilities	10,654	-
Professional services	77,802	-
Materials and supplies	2,176	-
Travel	6,643	-
Maintenance services	21,847	-
Insurance claims and expenses	-	2,467,555
Miscellaneous	1,092	-
Depreciation	77,682	-
Total operating expenses	<u>\$ 220,694</u>	<u>\$ 2,467,555</u>
Operating income (loss)	<u>\$ (65,820)</u>	<u>\$ (48,843)</u>
NONOPERATING REVENUES (EXPENSES)		
Interest expense	\$ (30,219)	\$ -
Income before transfers	<u>\$ (96,039)</u>	<u>\$ (48,843)</u>
Capital contributions and construction grants	\$ 20,628	\$ -
Water and waste disposal grant	141,433	-
Transfers in	157,760	4,000
Transfers out	(102,772)	(5,211)
Change in net assets	<u>\$ 121,010</u>	<u>\$ (50,054)</u>
Total net assets - beginning	1,879,840	326,101
Total net assets - ending	<u>\$ 2,000,850</u>	<u>\$ 276,047</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, 2011

	Enterprise Fund Fairview Water Fund	Internal Service Funds
CASH FLOWS FROM BY OPERATING ACTIVITIES		
Receipts from customers and users	\$ 202,889	\$ -
Receipts for insurance premiums	-	2,418,712
Payments to suppliers	(122,099)	-
Payments to and for employees	(22,798)	-
Payments for premiums	-	(2,467,555)
Net cash provided (used by) operating activities	<u>\$ 57,992</u>	<u>\$ (48,843)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers to other funds	\$ (102,772)	\$ (5,211)
Transfers from other funds	157,760	4,000
Net cash provided (used) by noncapital financing activities	<u>\$ 54,988</u>	<u>\$ (1,211)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	\$ (131,944)	\$ -
Principal payments on bonds	(11,818)	-
Contributions in aid of construction	162,061	-
Interest payments	(29,796)	-
Net cash provided (used) by capital and related financing activities	<u>\$ (11,497)</u>	<u>\$ -</u>
Net increase (decrease) in cash and cash equivalents	\$ 101,483	\$ (50,054)
Cash and cash equivalents - beginning	237,742	326,101
Cash and cash equivalents - ending	<u>\$ 339,225</u>	<u>\$ 276,047</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ (65,820)	\$ (48,843)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	\$ 77,682	\$ -
(Increase) decrease in accounts receivable	(15,804)	-
(Increase) decrease in intergovernmental receivables	57,277	-
Increase (decrease) in accounts payable	(1,885)	-
Increase (decrease) customer deposits	6,542	-
Total adjustments	<u>\$ 123,812</u>	<u>\$ -</u>
Net cash provided (used) by operating activities	<u>\$ 57,992</u>	<u>\$ (48,843)</u>

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

County of Grayson, Virginia
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011

		<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$	234,735
Investments, at fair value:		
Other investments		171,361
Total assets	\$	<u>406,096</u>
LIABILITIES		
Accounts payable	\$	2,097
Amounts held for social services clients		1,932
Amounts held for subsequent remittance to State for surcharge		463
Amounts held for Mt. Rogers Alcohol Safety Action Program		347,208
Amounts held for Grayson Regional Library		54,396
Total liabilities	\$	<u>406,096</u>

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

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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. Reporting Entity

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

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

Discretely Presented Component Units - The component unit columns in the financial statements include the financial data of the County's discretely presented component units. They are reported in a separate column to emphasize that they are legally separate from the County.

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

Related Organizations - The County has no related organizations.

Jointly Governed Organizations:

1. The County of Grayson and the Counties of Wythe, Bland, Carroll, and Smyth, along with the City of Galax, participate in supporting the Mount Rogers Community Services Board. For the fiscal year ended June 30, 2011, the County contributed \$43,200.
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, 2011, the County contributed \$51,993.
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, 2011.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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

A. 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, 2011, no contribution was made by the County to the Service.

B. Government-wide and fund financial statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds, if any, are reported as separate columns in the fund financial statements.

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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

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

be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

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

The County reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in other funds. The general fund includes the activities of the E-911, Law Library, Recreation Donation, and Asset Forfeiture Funds.

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

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.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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

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

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

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are other charges between the government's functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

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

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

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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

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

1. Deposits and investments (Continued)

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 \$177,222 at June 30, 2011 and is comprised solely of property taxes.

5. Use of Estimates

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

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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

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

6. Capital assets

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

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

Property, plant, and equipment 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. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. In accordance with the provisions of Government Accounting Standards No. 16, Accounting for Compensated Absences, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits. The County accrues salary-related payments associated with the payment of compensated absences. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements.

8. Long-term obligations

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

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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

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

8. Long-term obligations (Continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Fund equity

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

Nonspendable -items that cannot be spent because they are not in spendable form, such as prepaid items and inventory.

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

Committed -items that have been committed 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 -items 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.

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.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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

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

10. Net Assets

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

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

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

The governmental fund balance sheet includes a reconciliation between *fund balance-total governmental funds* and *net assets-governmental activities* as reported in the government-wide statements of net assets. One element of that reconciliation explains that long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. The details of these (\$20,112,787) and (\$1,140,843) differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit
General Obligation bonds	\$ (1,209,496)	\$ -
Premium on bond	(65,897)	-
OPEB obligation	(60,600)	(339,600)
ERIP liability	-	(527,925)
Lease revenue note	(18,300,000)	-
Capital leases	(24,948)	-
Interest payable	(277,472)	-
Landfill accrued closure and post-closure monitoring costs	(55,155)	-
Compensated absences	(119,219)	(273,318)
	<u>(119,219)</u>	<u>(273,318)</u>
Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net assets-governmental activities</i>	<u>\$ (20,112,787)</u>	<u>\$ (1,140,843)</u>

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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

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

10. Net Assets

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

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

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

The governmental fund balance sheet includes a reconciliation between *fund balance-total governmental funds* and *net assets-governmental activities* as reported in the government-wide statements of net assets. One element of that reconciliation explains that long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. The details of these (\$20,112,787) and (\$1,140,843) differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit
	<u> </u>	<u> </u>
General Obligation bonds	\$ (1,209,496)	\$ -
Premium on bond	(65,897)	-
OPEB obligation	(60,600)	(339,600)
ERIP liability	-	(527,925)
Lease revenue note	(18,300,000)	-
Capital leases	(24,948)	-
Interest payable	(277,472)	-
Landfill accrued closure and post-closure monitoring costs	(55,155)	-
Compensated absences	(119,219)	(273,318)
	<u> </u>	<u> </u>
Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net assets-governmental activities</i>	<u>\$ (20,112,787)</u>	<u>\$ (1,140,843)</u>

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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

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

Another element of that reconciliation states "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of these \$141,291 and \$28,839 differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit
	<u> </u>	<u> </u>
Principal repayments:		
General obligation bonds	\$ 75,505	\$ -
Lease revenue anticipation note	2,200,000	-
Capital leases	82,640	-
Decrease in ERIP liability	-	74,439
Debt Issued or incurred:		
Lease revenue anticipation note	(2,200,000)	
OPEB obligation	(16,200)	(45,600)
Accrued landfill closure/postclosure liability	(654)	-
	<u> </u>	<u> </u>
Net adjustment to increase <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ 141,291	\$ 28,839
	<u> </u>	<u> </u>

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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

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

Another element of that reconciliation states, "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of these (\$284,543) and (\$53,502) differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit
Bond premium amortization	\$ 4,393	\$ -
(Increase) decrease in compensated absences	(11,464)	(53,502)
Accrued interest	(277,472)	-
Net adjustment to increase (decrease) <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ (284,543)</u>	<u>\$ (53,502)</u>

Note 3-Stewardship, Compliance, and Accountability:

- A. Budgetary information

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

1. Prior to April 1st, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them. The following funds have legally adopted budgets: General Fund and the School Operating Fund
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
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, 2011

Note 3-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.
8. All budgetary data presented in the accompanying financial statements is the revised budget as of June 30.
9. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve 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, 2011, expenditures did not exceeded appropriations.

C. Deficit fund equity

At June 30, 2011, there were no funds with deficit fund equity.

Note 4-Deposits and Investments:

Deposits:

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2-400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board.

Financial institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

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,

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Note 4-Deposits and Investments: (Continued)

Investments: (Continued)

“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, 2011 were rated by Standard and Poor’s and/or an equivalent national rating organization and the ratings are presented below using the Standard and Poor’s rating scale.

Rated Debt Investments	Fair Quality Ratings		
	AAA	AAAm	AAm
LGIP	\$ -	\$ 2,981,268	\$ -
SNAP	-	205,738	-

(1) In custody of County Administrator’s Office

Concentration of Credit Risk:

At June 30, 2011, 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, 2011, the County did not have any investments meeting the GASB 40 definition requiring interest rate risk disclosures.

The fair value of the positions in the external investment pool (Local Government Investment Pool (LGIP) and State Non Arbitrage Pool (SNAP)) are the same as the value of the pool shares. As this pool is not SEC registered, regulatory oversight of the pools 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, 2011

Note 5-Due from Other Governmental Units:

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

	<u>Primary Government</u>	<u>Component Unit School Board</u>
<u>Commonwealth of Virginia:</u>		
Local sales tax	\$ 64,454	\$ -
Communications tax	60,390	-
State sales tax	-	336,814
Categorical aid	149,094	19,371
Non-categorical aid	18,313	-
Virginia public assistance funds	51,977	-
Community services act	80,764	-
<u>Federal Government:</u>		
Virginia public assistance funds	77,006	-
Categorical aid	97,286	-
School grants	-	641,375
	<u>\$ 599,284</u>	<u>\$ 997,560</u>
Totals		

Note 6-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>
<u>Primary Government:</u>		
General Fund	<u>\$ -</u>	<u>\$ 1,301,270</u>
<u>Component Unit - School Board:</u>		
School Fund	<u>\$ 1,301,270</u>	<u>\$ -</u>

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Note 5-Due from Other Governmental Units:

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

	<u>Primary Government</u>	<u>Component Unit School Board</u>
<u>Commonwealth of Virginia:</u>		
Local sales tax	\$ 64,454	\$ -
Communications tax	60,390	-
State sales tax	-	336,814
Categorical aid	149,094	19,371
Non-categorical aid	18,313	-
Virginia public assistance funds	51,977	-
Community services act	80,764	-
<u>Federal Government:</u>		
Virginia public assistance funds	77,006	-
Categorical aid	97,286	-
School grants	-	641,375
	<u>\$ 599,284</u>	<u>\$ 997,560</u>
Totals		

Note 6-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>
<u>Primary Government:</u>		
General Fund	<u>\$ -</u>	<u>\$ 1,301,270</u>
<u>Component Unit - School Board:</u>		
School Fund	<u>\$ 1,301,270</u>	<u>\$ -</u>

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Note 8-Long-Term Debt:

Primary Government - Governmental Activity Indebtedness:

The following is a summary of long-term debt transactions of the County for the year ended June 30, 2011:

	Balance July 1, 2010	Issuances	Retirements	Balance June 30, 2011
General obligation bonds	\$ 1,285,001	\$ -	\$ (75,505)	\$ 1,209,496
Premium on bond	70,290	-	(4,393)	65,897
Lease revenue anticipation note	-	2,200,000	(2,200,000)	-
Lease revenue note	18,300,000	-	-	18,300,000
Capital leases (Note 10)	107,588	-	(82,640)	24,948
Landfill closure/ postclosure liability	54,501	654	-	55,155
Net OPEB obligation	44,400	51,200	(35,000)	60,600
Compensated absences	107,755	11,464	-	119,219
Total	\$ 19,969,535	\$ 2,263,318	\$ (2,397,538)	\$ 19,835,315

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

Year Ending June 30,	General Obligation Bonds		Lease Revenue Note	
	Principal	Interest	Principal	Interest
2012	\$ 76,070	\$ 57,925	\$ -	\$ 541,680
2013	76,596	54,224	18,300,000	785,065
2014	77,081	50,689	-	-
2015	77,659	46,936	-	-
2016	78,337	42,958	-	-
2017-2021	403,161	153,813	-	-
2022-2026	420,592	49,938	-	-
Totals	\$ 1,209,496	\$ 456,483	\$ 18,300,000	\$ 1,326,745

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Note 8-Long-Term Debt: (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	\$ 464,496	\$ 26,070
General Obligation Bond	5.10%	11/10/05	2025	995,000	745,000	50,000
Subtotal					<u>1,209,496</u>	<u>76,070</u>
Premium on Bond				87,862	65,897	4,393
Total General Obligation Bonds					<u>\$ 1,275,393</u>	<u>\$ 80,463</u>
<u>Other Long-Term Debt:</u>						
Lease revenue note	2.93%	10/25/07	2013	18,300,000	\$ 18,300,000	\$ -
<u>Other Obligations:</u>						
Landfill post-closure monitoring liability					\$ 55,155	\$ -
Capital leases (Note 10)					24,948	24,948
Net OPEB obligation					60,600	-
Compensated Absences					119,220	-
Total Other Obligations					<u>\$ 259,923</u>	<u>\$ 24,948</u>
Total Long-Term Debt and Other Obligations					<u>\$ 19,835,316</u>	<u>\$ 105,411</u>

Primary Government - Enterprise Activity Indebtedness:

The following is a summary of long-term debt transactions of the Enterprise Fund for the year ended June 30, 2011:

	Balance July 1, 2010	Issuances	Retirements	Balance June 30, 2011
Water Revenue Bonds	\$ 646,926	\$ -	\$ (11,818)	\$ 635,108
Total	<u>\$ 646,926</u>	<u>\$ -</u>	<u>\$ (11,818)</u>	<u>\$ 635,108</u>

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Note 8-Long-Term Debt: (Continued)

Primary Government - Enterprise Activity Indebtedness: (Continued)

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

Year Ending June 30,	Lease Revenue Note	
	Principal	Interest
2012	\$ 12,275	\$ 24,637
2013	17,289	23,318
2014	18,043	22,565
2015	18,833	21,775
2016	19,660	20,948
2017-2021	112,140	90,900
2022-2026	139,553	63,487
2027-2031	121,624	30,804
2032-2036	39,538	18,602
2037-2041	44,518	13,621
2042-2046	50,124	8,011
2047-2052	41,511	1,905
Totals	\$ 635,108	\$ 340,573

Details of long-term indebtedness:

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Balance Business-Type Activities	Amount Due Within One Year
<u>Revenue Bonds:</u>						
Rural Development Water Revenue Bonds	5.00%	09/01/92	2032	\$ 491,600	\$ 345,108	\$ 11,880
Rural Development Water Revenue Bonds				290,000	290,000	395
Total Revenue Bonds					\$ 635,108	\$ 12,275

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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

Discretely Presented Component Unit-School Board-Indebtedness:

The following is a summary of long-term debt transactions of the Component-Unit School Board for the year ended June 30, 2011:

	Balance July 1, 2010	Issuances	Retirements	Balance June 30, 2011
OPEB obligation	\$ 294,000	\$ 275,200	\$ (229,600)	\$ 339,600
Early retirement incentive plan	602,364	-	(74,439)	527,925
Compensated absences	219,816	53,502	-	273,318
Total	\$ 1,116,180	\$ 328,702	\$ (304,039)	\$ 1,140,843

Details of long-term indebtedness:

	Total Amount	Amount Due Within One Year
<u>Other Obligations:</u>		
OPEB obligation	\$ 339,600	\$ -
Early retirement incentive plan	527,925	-
Compensated absences	273,318	-
Total Long-Term Obligations	\$ 1,140,843	\$ -

Note 10-Capital Lease:

Primary Government:

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

The assets acquired through capital leases are as follows:

	Governmental Activities
Asset:	
Machinery and equipment	\$ 139,297
Less: Accumulated depreciation	(87,776)
Total	\$ 51,521

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Note 10-Capital Lease: (Continued)

Primary Government: (Continued)

The future minimum lease obligations and the net present value of the minimum lease payments as of June 30, 2011, were as follows:

Fiscal Year Ended	Governmental Activities
<u>2013</u>	<u>\$ 25,437</u>
Total minimum lease payments	\$ 25,437
Less: amount representing interest	(489)
Present value of minimum lease payments	<u>\$ 24,948</u>

Note 11-Employee Retirement System and Pension Plans:

A. Plan Description

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

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

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

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

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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

A. Plan Description (Continued)

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

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

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

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the report may be obtained from the VRS Web site at <http://www.varetire.org/Pdf/Publications/2010-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

B. Funding Policy

Primary Government:

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. In addition, the County of Grayson, Virginia is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County of Grayson, Virginia's contribution rate for the fiscal year ended 2011 was 14.61% of annual covered payroll.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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

B. Funding Policy

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

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The School Board's contribution rate for the fiscal year ended 2011 was 7.50% of annual covered payroll.

C. Annual Pension Cost

For fiscal year 2011, the County of Grayson, Virginia's annual pension cost of \$488,648 and \$90,260 was equal to the County of Grayson, Virginia's required and actual contributions for the County and the School Board Non-Professional, respectively.

	Three-Year Trend Information			
	Fiscal Year	Annual Pension Cost (APC) ¹	Percentage of APC Contributed	Net Pension Obligation
	Ending			
Primary Government:				
County	6/30/2011	\$ 488,648	100.00%	\$ -
	6/30/2010	349,141	100.00%	-
	6/30/2009	344,219	100.00%	-
Discretely Presented-Component Unit:				
School Board Non-Professional	6/30/2011	\$ 90,260	100.00%	\$ -
	6/30/2010	96,805	100.00%	-
	6/30/2009	99,761	100.00%	-

¹ Employer portion only

The FY 2011 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses of 7.50%), (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County of Grayson, Virginia's and the School Board's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County of Grayson, Virginia's and the School Board's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009 for the Unfunded Actuarial Accrued Liability (UAAL) was 20 years.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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

D. Funding Status and Funding Progress

Primary Government:

As of June 30, 2010, the most recent actuarial valuation date, the plan was 71.30% funded. The actuarial accrued liability for benefits was \$19,167,412 and the actuarial value of assets was \$13,666,549, resulting in an unfunded actuarial accrued liability (UAAL) of \$5,500,863. The covered payroll (annual payroll of active employees covered by the plan) was \$3,378,670, and ratio of the UAAL to the payroll was 162.81%.

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

As of June 30, 2010, the most recent actuarial valuation date, the plan was 81.44% funded. The actuarial accrued liability for benefits was \$4,535,472, and the actuarial value of assets was \$3,693,744, resulting in an unfunded actuarial accrued liability (UAAL) of \$841,728. The covered payroll (annual payroll of active employees covered by the plan) was \$1,222,230, and the ratio of the UAAL to the covered payroll was 68.87%.

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 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/2008annurept.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, 2011

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

E. Discretely Presented Component Unit School Board (Continued)

PROFESSIONAL EMPLOYEES: (Continued)

Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All of part of the 5.00% member contribution may be assumed by the employer. In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The School Board's contribution to the statewide cost sharing pool for professional employees was \$808,351, \$848,995, and \$897,826, for the fiscal years ended 2011, 2010, and 2009, respectively. Employer contributions represented 8.93% for the entire fiscal year 2011, 13.81% from July 2009 through March 2010 and 0.00% from April to June 2010, and 8.81% for the entire fiscal year 2009.

Note 12-Other Postemployment Benefits:

A. Plan Description

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

B. Funding Policy

The Grayson County Government establishes employer medical contribution rates for all medical plan participants as part of the budgetary process each year. The County also determines how the plan will be funded each year, whether it will be partially funded or fully funded in the upcoming fiscal year. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the County. For fiscal year 2011, the County contributed \$35,000 in total for current premiums and prefunding amounts while the School Board contributed \$229,600 for the same.

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, 2011

Note 12-Other Postemployment Benefits: (Continued)

C. Annual OPEB Cost and Net OPEB Obligation

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

	County	School Board	Total
Annual required contribution	\$ 52,700	\$ 285,500	\$ 338,200
Interest on net OPEB obligation	1,800	11,800	13,600
Adjustment to annual required contribution	(3,300)	(22,100)	(25,400)
Annual OPEB cost (expense)	51,200	275,200	326,400
Actual contributions	(35,000)	(229,600)	(264,600)
Increase in net OPEB obligation	16,200	45,600	61,800
Net OPEB obligation - beginning of year	44,400	294,000	338,400
Net OPEB obligation - end of year	\$ 60,600	\$ 339,600	\$ 400,200

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2011	\$ 326,400	81%	\$ 489,301
6/30/2010	273,200	41%	338,400
6/30/2009	270,000	34%	177,000

D. Funded Status and Funding Progress

Primary Government:

As of July 1, 2010, the most recent actuarial valuation date, the actuarial accrued liabilities (AAL) were \$399,900, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$3,382,000, and ratio of the UAAL to the covered payroll was 11.8%.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Note 12-Other Postemployment Benefits: (Continued)

D. Funded Status and Funding Progress (Continued)

Component Unit – School Board:

As of July 1, 2010, the most recent actuarial valuation date, the actuarial accrued liabilities (AAL) were \$2,658,100, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$10,750,800, and ratio of the UAAL to the covered payroll was 24.7%.

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.

In the July 1, 2010, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.0 percent investment rate of return per annum. An annual healthcare cost trend rate of 10 percent initially, reduced by decrements of 0.5 percent until an ultimate rate of 5 percent is reached. The UAAL is being amortized as a level percentage over the remaining amortization period, which at June 30, 2011, was 30 years.

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COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Note 13-Capital Assets:

Capital asset activity for the year ended June 30, 2011 was as follows:

Primary Government:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 720,638	\$ -	\$ -	\$ 720,638
Construction in progress	16,271,315	3,212,486	(18,946,131)	537,670
Total capital assets not being depreciated	<u>\$ 16,991,953</u>	<u>\$ 3,212,486</u>	<u>\$ (18,946,131)</u>	<u>\$ 1,258,308</u>
Capital assets, being depreciated:				
Buildings	\$ 6,233,752	\$ 18,996,771	\$ -	\$ 25,230,523
Machinery and equipment	1,706,360	22,401	(278,699)	1,450,062
Total capital assets being depreciated	<u>\$ 7,940,112</u>	<u>\$ 19,019,172</u>	<u>\$ (278,699)</u>	<u>\$ 26,680,585</u>
Less: accumulated depreciation for:				
Buildings	\$ (1,664,953)	\$ (550,315)	\$ -	\$ (2,215,268)
Machinery and equipment	(1,032,409)	(200,020)	185,288	(1,047,141)
Total accumulated depreciation	<u>\$ (2,697,362)</u>	<u>\$ (750,335)</u>	<u>\$ 185,288</u>	<u>\$ (3,262,409)</u>
Total capital assets being depreciated, net	<u>\$ 5,242,750</u>	<u>\$ 18,268,837</u>	<u>\$ (93,411)</u>	<u>\$ 23,418,176</u>
Governmental activities capital assets, net	<u>\$ 22,234,703</u>	<u>\$ 21,481,323</u>	<u>\$ (19,039,542)</u>	<u>\$ 24,676,484</u>

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COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Note 13-Capital Assets: (Continued)

Primary Government: (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 10,648	\$ -	\$ -	\$ 10,648
Construction in progress	219,024	131,943	(350,967)	-
Total capital assets not being depreciated	<u>\$ 229,672</u>	<u>\$ 131,943</u>	<u>\$ (350,967)</u>	<u>\$ 10,648</u>
Capital assets, being depreciated:				
Infrastructure	\$ 2,756,309	\$ 350,967	\$ -	\$ 3,107,276
Machinery and equipment	8,000	-	-	8,000
Total capital assets being depreciated	<u>\$ 2,764,309</u>	<u>\$ 350,967</u>	<u>\$ -</u>	<u>\$ 3,115,276</u>
Less: accumulated depreciation for:				
Infrastructure	\$ (745,035)	\$ (77,681)	\$ -	\$ (822,716)
Machinery and equipment	(8,000)	-	-	(8,000)
Total accumulated depreciation	<u>\$ (753,035)</u>	<u>\$ (77,681)</u>	<u>\$ -</u>	<u>\$ (830,716)</u>
Total capital assets being depreciated, net	<u>\$ 2,011,274</u>	<u>\$ 273,286</u>	<u>\$ -</u>	<u>\$ 2,284,560</u>
Business-type activities capital assets, net	<u>\$ 2,240,946</u>	<u>\$ 405,229</u>	<u>\$ (350,967)</u>	<u>\$ 2,295,208</u>

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COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Note 13-Capital Assets: (Continued)

Primary Government: (Continued)

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

Governmental activities:		
General government	\$	62,424
Judicial administration		6,379
Public safety		103,571
Public works		71,055
Health and welfare		1,250
Education		453,396
Parks, recreation, and culture		6,532
Community development		45,728
Total depreciation expense-governmental activities	\$	<u>750,335</u>
Business type activities:		
Water department	\$	<u>77,681</u>
Total depreciation expense-business type activities	\$	<u>77,681</u>

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COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Note 13-Capital Assets: (Continued)

Capital asset activity for the School Board for the year ended June 30, 2011 was as follows:

Discretely Presented Component Unit:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 149,483	\$ -	\$ -	\$ 149,483
Capital assets, being depreciated:				
Buildings	\$ 14,236,615	\$ 247,686	\$ -	\$ 14,484,301
Machinery and equipment	3,340,504	514,063	(61,987)	3,792,580
Total capital assets being depreciated	<u>\$ 17,577,119</u>	<u>\$ 761,749</u>	<u>\$ (61,987)</u>	<u>\$ 18,276,881</u>
Less: accumulated depreciation for:				
Buildings	\$ (9,633,861)	\$ (277,465)	\$ -	\$ (9,911,326)
Machinery and equipment	(2,086,051)	(418,377)	52,106	(2,452,322)
Total accumulated depreciation	<u>\$ (11,719,912)</u>	<u>\$ (695,842)</u>	<u>\$ 52,106</u>	<u>\$ (12,363,648)</u>
Total capital assets being depreciated, net	<u>\$ 5,857,207</u>	<u>\$ 65,907</u>	<u>\$ (9,881)</u>	<u>\$ 5,913,233</u>
Governmental activities capital assets, net	<u>\$ 6,006,690</u>	<u>\$ 65,907</u>	<u>\$ (9,881)</u>	<u>\$ 6,062,716</u>

Note 14-Risk Management:

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

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Note 15-Contingent Liabilities:

Federal programs in which the County and its component units participate were audited in accordance with the provisions of U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by audit, the Federal Government may subject grant programs to additional compliance tests, which may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

Note 16-Surety Bonds:

Primary Government:

Fidelity & Deposit Company of Maryland-Surety:

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

Travelers Casualty and Surety Company of America:

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

Component Unit – School Board:

Virginia School Board Association:

All School Board employees-blanket bond	\$ 250,000
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Note 17-Landfill Closure and Post-closure 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. \$55,155 is the total estimated post-closure care liability at June 30, 2011. 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 2011. Actual costs for post-closure monitoring may change due to inflation, deflation, changes in technology or changes in regulations.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Note 18-Notes Receivable:

Primary Government:

Industrial Development Fund:

On June 5, 2008, the County loaned \$150,000 to US 58 Holdings LLC. The loan is payable in 120 monthly installments of \$1,380.21 starting with the first payment due on August 15, 2008. The note bears interest at the rate of 2%. The outstanding balance at June 30, 2011 was \$113,698.

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, 2011 was \$64,247.

Note 19-Deferred Revenue:

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

Deferred Property Tax Revenue – Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$10,725,547.

Prepaid Property Taxes – Property taxes due subsequent to June 30, 2011, but paid in advance by the taxpayers totaled \$21,385 at June 30, 2011.

On the Statement of Net Assets, unearned revenue consists of prepaid property taxes, as well as \$10,055,367 in property taxes levied January 1 but not due until December 5, 2011.

Note 20-School Board Early Retirement Incentive Plan:

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

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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

Employees may participate in the plan for a maximum of 14 years or until the appropriate age for receipt of social security benefits, whichever occurs first. In the event of the retiree's death, the balance of the ERIP owed will be paid to the retiree's estate. The School Board funds the plan on a pay as you go basis. As of June 30, 2011, the unfunded balance of the early retirement incentive plan totaled \$527,925.

Note 21-Restatement of Beginning Net Assets:

	<u>School Board</u>
Beginning Net Assets, as previously reported	\$ 5,762,338
Increase in ERIP liability	<u>(602,364)</u>
Beginning Net Assets, as restated	<u>\$ 5,159,974</u>

Required Supplementary Information

County of Grayson, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 8,922,731	\$ 8,922,731	\$ 9,648,978	\$ 726,247
Other local taxes	795,000	795,000	1,187,265	392,265
Permits, privilege fees, and regulatory licenses	104,200	104,200	94,520	(9,680)
Fines and forfeitures	25,000	25,000	45,467	20,467
Revenue from the use of money and property	42,000	42,000	42,240	240
Charges for services	1,105,100	1,105,100	1,479,390	374,290
Miscellaneous	208,208	1,412,467	116,907	(1,295,560)
Recovered costs	151,000	16,000	289,495	273,495
Intergovernmental revenues:				
Commonwealth	4,407,802	4,407,802	3,462,104	(945,698)
Federal	914,000	914,000	1,863,268	949,268
Total revenues	<u>\$ 16,675,041</u>	<u>\$ 17,744,300</u>	<u>\$ 18,229,634</u>	<u>\$ 485,334</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,181,362	\$ 1,383,022	\$ 1,293,198	\$ 89,824
Judicial administration	892,731	892,973	781,229	111,744
Public safety	2,823,590	2,835,092	2,897,363	(62,271)
Public works	1,287,958	2,091,868	2,123,915	(32,047)
Health and welfare	2,534,841	2,606,275	2,367,933	238,342
Education	5,225,211	5,225,211	5,106,175	119,036
Parks, recreation, and cultural	472,539	472,555	494,889	(22,334)
Community development	808,893	1,094,822	582,763	512,059
Capital projects	857,000	857,000	362,875	494,125
Debt service:				
Principal retirement	3,432,495	3,432,495	2,358,145	1,074,350
Interest and other fiscal charges	117,505	117,505	80,708	36,797
Total expenditures	<u>\$ 19,634,125</u>	<u>\$ 21,008,818</u>	<u>\$ 18,449,193</u>	<u>\$ 2,559,625</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (2,959,084)</u>	<u>\$ (3,264,518)</u>	<u>\$ (219,559)</u>	<u>\$ 3,044,959</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 2,170,724	\$ 2,170,724
Transfers out	-	-	(1,867,868)	(1,867,868)
Proceeds of general obligation bonds	3,500,000	3,500,000	2,200,000	(1,300,000)
Total other financing sources and uses	<u>\$ 3,500,000</u>	<u>\$ 3,500,000</u>	<u>\$ 2,502,856</u>	<u>\$ (997,144)</u>
Net change in fund balances	\$ 540,916	\$ 235,482	\$ 2,283,297	\$ 2,047,815
Fund balances - beginning	-	-	2,544,845	2,544,845
Fund balances - ending	<u>\$ 540,916</u>	<u>\$ 235,482</u>	<u>\$ 4,828,142</u>	<u>\$ 4,592,660</u>

County of Grayson, Virginia
Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2011

	Community Development			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 1,477	\$ 1,477
Total revenues	\$ -	\$ -	\$ 1,477	\$ 1,477
EXPENDITURES				
Total expenditures	\$ -	\$ -	\$ -	\$ -
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 1,477	\$ 1,477
Net change in fund balances	\$ -	\$ -	\$ 1,477	\$ 1,477
Fund balances - beginning	-	-	432,558	432,558
Fund balances - ending	\$ -	\$ -	\$ 434,035	\$ 434,035

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, 2011

	Industrial Development			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 335	\$ 335
Intergovernmental revenues:				
Commonwealth	-	-	75,000	75,000
Total revenues	\$ -	\$ -	\$ 75,335	\$ 75,335
EXPENDITURES				
Current:				
Community development	\$ -	\$ -	\$ 75,000	\$ (75,000)
Total expenditures	\$ -	\$ -	\$ 75,000	\$ (75,000)
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 335	\$ 335
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 75,000	\$ 75,000
Transfers out	-	-	(25,000)	(25,000)
Total other financing sources and uses	\$ -	\$ -	\$ 50,000	\$ 50,000
Net change in fund balances	\$ -	\$ -	\$ 50,335	\$ 50,335
Fund balances - beginning	-	-	616,630	616,630
Fund balances - ending	\$ -	\$ -	\$ 666,965	\$ 666,965

County of Grayson, Virginia
Schedule of Pension and OPEB Funding Progress
For the Year Ended June 30, 2011

Primary Government:
County Retirement Plan

Valuation as of (1)	Actuarial Value of Assets (2)	Actuarial Accrued Liability (AAL) (3)	Unfunded AAL (UAAL) (3) - (2) (4)	Funded Ratio Assets as % of AAL (2)/(3) (5)	Annual Covered Payroll (6)	UAAL as a % of Covered Payroll (4)/(6) (7)
June 30, 2010	\$ 13,666,549	\$ 19,167,412	\$ 5,500,863	71.30%	\$ 3,378,670	162.81%
June 30, 2009	13,974,296	17,490,935	3,516,639	79.89%	3,396,258	103.54%
June 30, 2008	14,257,613	16,572,044	2,314,431	86.03%	3,161,135	73.22%

County Postemployment Healthcare Plan

Valuation as of (1)	Actuarial Value of Assets (2)	Actuarial Accrued Liability (AAL) (3)	Unfunded AAL (UAAL) (3) - (2) (4)	Funded Ratio Assets as % of AAL (2)/(3) (5)	Annual Covered Payroll (6)	UAAL as a % of Covered Payroll (4)/(6) (7)
July 1, 2010	\$ -	\$ 399,900	\$ 399,900	0.00%	\$ 3,382,000	11.8%
July 1, 2009*	-	454,100	454,100	0.00%	3,281,000	13.8%
July 1, 2008	-	447,000	447,000	0.00%	3,201,000	14.0%

Discretely Presented Component Unit:

School Board Non-Professional Retirement Plan

Valuation as of (1)	Actuarial Value of Assets (2)	Actuarial Accrued Liability (AAL) (3)	Unfunded AAL (UAAL) (3) - (2) (4)	Funded Ratio Assets as % of AAL (2)/(3) (5)	Annual Covered Payroll (6)	UAAL as a % of Covered Payroll (4)/(6) (7)
June 30, 2010	\$ 3,693,744	\$ 4,535,472	\$ 841,728	81.44%	\$ 1,222,230	68.87%
June 30, 2009	3,665,875	4,141,821	475,946	88.51%	1,290,858	36.87%
June 30, 2008	3,547,103	3,853,967	306,864	92.04%	1,184,902	25.90%

School Board Postemployment Healthcare Plan

Valuation as of (1)	Actuarial Value of Assets (2)	Actuarial Accrued Liability (AAL) (3)	Unfunded AAL (UAAL) (3) - (2) (4)	Funded Ratio Assets as % of AAL (2)/(3) (5)	Annual Covered Payroll (6)	UAAL as a % of Covered Payroll (4)/(6) (7)
July 1, 2010	\$ -	\$ 2,658,100	\$ 2,658,100	0.00%	\$ 10,750,800	24.72%
July 1, 2008	-	1,584,000	1,584,000	0.00%	11,277,000	14.05%

* Amounts shown are a rollforward of prior year's results

Supplementary Financial Statements

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, 2011

	School Construction			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 2,050	\$ 2,050
Total revenues	\$ -	\$ -	\$ 2,050	\$ 2,050
EXPENDITURES				
Capital projects	\$ -	\$ -	\$ 1,255,022	\$ (1,255,022)
Debt service:				
Interest and other fiscal charges	-	-	311,681	(311,681)
Total expenditures	\$ -	\$ -	\$ 1,566,703	\$ (1,566,703)
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ (1,564,653)	\$ (1,564,653)
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 311,240	\$ 311,240
Transfers out	-	-	(557,616)	(557,616)
Total other financing sources and uses	\$ -	\$ -	\$ (246,376)	\$ (246,376)
Net change in fund balances	\$ -	\$ -	\$ (1,811,029)	\$ (1,811,029)
Fund balances - beginning	-	-	2,016,767	2,016,767
Fund balances - ending	\$ -	\$ -	\$ 205,738	\$ 205,738

FIDUCIARY FUNDS

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

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

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

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

County of Grayson, Virginia
 Combining Statement of Fiduciary Net Assets
 Fiduciary Funds
 June 30, 2011

		Agency Funds					
	Special Welfare	Building Code Fund	ASAP Fund	Regional Library	Total		
ASSETS							
Cash and cash equivalents	\$ 1,932	\$ 463	\$ 177,944	\$ 54,396	\$ 234,735		
Investments, at fair value:							
Other investments	-	-	171,361	-	171,361		
Total assets	\$ 1,932	\$ 463	\$ 349,305	\$ 54,396	\$ 406,096		
LIABILITIES							
Accounts payable	-	-	2,097	-	2,097		
Amounts held for social services clients	1,932	-	-	-	1,932		
Amounts held for subsequent remittance to State for surcharge	-	463	-	-	463		
Amounts held for Mt. Rogers Alcohol Safety Action Program	-	-	347,208	-	347,208		
Amounts held for Grayson Regional Library	-	-	-	54,396	54,396		
Total liabilities	\$ 1,932	\$ 463	\$ 349,305	\$ 54,396	\$ 406,096		

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD

MAJOR GOVERNMENTAL FUNDS

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

County of Grayson, Virginia
Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2011

	<u>School Operating Fund</u>
ASSETS	
Cash in custody of others	\$ 831,828
Prepaid expenses	236,602
Receivables (net of allowance for uncollectibles):	
Accounts receivable	192,449
Due from other governmental units	997,560
Total assets	<u>\$ 2,258,439</u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 146,713
Accrued liabilities	809,251
Due to primary government	1,301,270
Total liabilities	<u>\$ 2,257,234</u>
Fund balances:	
Nonspendable	
Prepaid expenses	\$ 236,602
Committed to:	
Textbooks	4
Cafeteria	1,001
Unassigned	(236,402)
Total fund balances	<u>\$ 1,205</u>
Total liabilities and fund balances	<u>\$ 2,258,439</u>
Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:	
Total fund balances per above	\$ 1,205
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	6,062,716
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(1,229,944)
Net assets of governmental activities	<u>\$ 4,833,977</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, 2011

	<u>School Operating Fund</u>
REVENUES	
Revenue from the use of money and property	\$ 184
Charges for services	366,107
Miscellaneous	506,613
Recovered costs	19,033
Intergovernmental revenues:	
Local government	5,084,075
Commonwealth	12,208,446
Federal	4,201,961
Total revenues	<u>\$ 22,386,419</u>
EXPENDITURES	
Current:	
Education	\$ 22,494,421
Total expenditures	<u>\$ 22,494,421</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (108,002)</u>
OTHER FINANCING SOURCES (USES)	
Transfers out	<u>\$ (160,257)</u>
Net change in fund balances	\$ (268,259)
Fund balances - beginning	269,464
Fund balances - ending	<u><u>\$ 1,205</u></u>
Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:	
Net change in fund balances - total governmental funds - per above	\$ (268,259)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.	56,026
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(60,262)
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.	(53,502)
Change in net assets of governmental activities	<u><u>\$ (325,997)</u></u>

County of Grayson, Virginia
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2011

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 184	\$ 184
Charges for services	74,000	74,000	366,107	292,107
Miscellaneous	337,000	337,000	506,613	169,613
Recovered costs	90,000	90,000	19,033	(70,967)
Intergovernmental revenues:				
Local government	4,039,715	4,039,715	5,084,075	1,044,360
Commonwealth	12,038,614	12,038,614	12,208,446	169,832
Federal	3,523,219	3,523,219	4,201,961	678,742
Total revenues	<u>\$ 20,102,548</u>	<u>\$ 20,102,548</u>	<u>\$ 22,386,419</u>	<u>\$ 2,283,871</u>
EXPENDITURES				
Current:				
Education	\$ 20,102,548	\$ 20,102,548	\$ 22,494,421	\$ (2,391,873)
Total expenditures	<u>\$ 20,102,548</u>	<u>\$ 20,102,548</u>	<u>\$ 22,494,421</u>	<u>\$ (2,391,873)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (108,002)</u>	<u>\$ (108,002)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ -	\$ -	\$ (160,257)	\$ (160,257)
Net change in fund balances	\$ -	\$ -	\$ (268,259)	\$ (268,259)
Fund balances - beginning	-	-	269,464	269,464
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,205</u>	<u>\$ 1,205</u>

SUPPORTING SCHEDULES

County of Grayson, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2011

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	\$ 7,426,731	\$ 7,426,731	\$ 7,918,456	\$ 491,725
Real and personal public service corporation taxes	110,000	110,000	174,726	64,726
Personal property taxes	1,150,000	1,150,000	1,214,291	64,291
Mobile home taxes	30,000	30,000	21,869	(8,131)
Machinery and tools taxes	100,000	100,000	114,070	14,070
Merchant's capital	45,000	45,000	26,466	(18,534)
Penalties	31,000	31,000	89,162	58,162
Interest	30,000	30,000	89,938	59,938
Total general property taxes	<u>\$ 8,922,731</u>	<u>\$ 8,922,731</u>	<u>\$ 9,648,978</u>	<u>\$ 726,247</u>
Other local taxes:				
Local sales and use taxes	\$ -	\$ -	\$ 391,355	\$ 391,355
Consumers' utility taxes	340,000	340,000	341,597	1,597
E-911 telephone taxes	26,000	26,000	24,984	(1,016)
Utility license tax	39,000	39,000	38,261	(739)
Motor vehicle licenses	300,000	300,000	303,756	3,756
Franchise license tax	10,000	10,000	13,821	3,821
Taxes on wills	2,000	2,000	4,129	2,129
Taxes on recordation	60,000	60,000	69,362	9,362
Hotel and motel room taxes	8,000	8,000	-	(8,000)
Bank stock tax	10,000	10,000	-	(10,000)
Total other local taxes	<u>\$ 795,000</u>	<u>\$ 795,000</u>	<u>\$ 1,187,265</u>	<u>\$ 392,265</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 10,000	\$ 10,000	\$ 9,815	\$ (185)
Zoning permits	3,500	3,500	5,680	2,180
Transfer fees	700	700	656	(44)
Building permits	90,000	90,000	78,369	(11,631)
Total permits, privilege fees, and regulatory licenses	<u>\$ 104,200</u>	<u>\$ 104,200</u>	<u>\$ 94,520</u>	<u>\$ (9,680)</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 25,000	\$ 25,000	\$ 45,467	\$ 20,467
Revenue from use of money and property:				
Revenue from use of property	\$ 42,000	\$ 42,000	\$ 42,240	\$ 240
Charges for services:				
Charges for special law enforcement	\$ -	\$ -	\$ 1,363	\$ 1,363
Charges for law enforcement and traffic control	500	500	762	262
Charges for courthouse maintenance	3,000	3,000	3,648	648
Charges for courthouse security	8,000	8,000	15,498	7,498
Charges for Commonwealth's Attorney	1,000	1,000	1,462	462
Miscellaneous jail and inmate fees	2,500	2,500	916	(1,584)
Charges for ASAP	6,500	6,500	6,875	375
Charges for law library	6,600	6,600	1,625	(4,975)
Charges for sanitation and waste removal	125,000	125,000	249,855	124,855
Charges for trash fees	900,000	900,000	1,147,295	247,295
Charges for parks and recreation	52,000	52,000	42,821	(9,179)
Other charges for services	-	-	7,270	7,270
Total charges for services	<u>\$ 1,105,100</u>	<u>\$ 1,105,100</u>	<u>\$ 1,479,390</u>	<u>\$ 374,290</u>

County of Grayson, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2011

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Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous revenue:				
Miscellaneous	\$ 208,208	\$ 1,412,467	\$ 113,766	\$ (1,298,701)
Recreational donations	-	-	3,141	3,141
Total miscellaneous revenue	<u>\$ 208,208</u>	<u>\$ 1,412,467</u>	<u>\$ 116,907</u>	<u>\$ (1,295,560)</u>
Recovered costs:				
City of Galax	\$ 150,000	\$ 15,000	\$ 287,290	\$ 272,290
Rents and royalties	1,000	1,000	2,205	1,205
Total recovered costs	<u>\$ 151,000</u>	<u>\$ 16,000</u>	<u>\$ 289,495</u>	<u>\$ 273,495</u>
Total revenue from local sources	<u>\$ 11,353,239</u>	<u>\$ 12,422,498</u>	<u>\$ 12,904,262</u>	<u>\$ 481,764</u>
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle rolling stock tax	\$ -	\$ -	\$ 231	\$ 231
Mobile home titling tax	22,500	22,500	10,678	(11,822)
Motor vehicle rental tax	-	-	663	663
Grantor's tax	15,000	15,000	18,927	3,927
State recordation tax	23,000	23,000	27,621	4,621
Communication tax	345,000	345,000	371,576	26,576
Personal property tax relief funds	437,000	437,000	448,413	11,413
Total noncategorical aid	<u>\$ 842,500</u>	<u>\$ 842,500</u>	<u>\$ 878,109</u>	<u>\$ 35,609</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 276,363	\$ 276,363	\$ 266,000	\$ (10,363)
Sheriff	933,503	933,503	878,227	(55,276)
Commissioner of revenue	80,567	80,567	74,342	(6,225)
Treasurer	95,246	95,246	92,065	(3,181)
Registrar/electoral board	44,904	44,904	36,291	(8,613)
Clerk of the Circuit Court	-	-	207,579	207,579
Funds returned to the Commonwealth	-	-	(89,911)	(89,911)
Total shared expenses	<u>\$ 1,430,583</u>	<u>\$ 1,430,583</u>	<u>\$ 1,464,593</u>	<u>\$ 34,010</u>
Other categorical aid:				
Public assistance and welfare administration	\$ 1,468,416	\$ 1,468,416	\$ 552,378	\$ (916,038)
Comprehensive services act	465,000	465,000	349,530	(115,470)
Victim witness	26,095	26,095	21,941	(4,154)
Fire programs	20,000	20,000	-	(20,000)
Rescue squad assistance	15,000	15,000	22,471	7,471
Local block grant	-	-	1,994	1,994
Tourism grant	-	-	27,010	27,010
Litter grant	6,000	6,000	6,933	933
Sheriff dept grant	79,371	79,371	25,001	(54,370)
Asset Forfeiture	-	-	10,620	10,620
School resource officer	-	-	36,085	36,085
State local foster care	-	-	7,870	7,870
Virginia Juvenile CCC	54,837	54,837	36,523	(18,314)
Special law enforcement grants	-	-	21,046	21,046
Total other categorical aid	<u>\$ 2,134,719</u>	<u>\$ 2,134,719</u>	<u>\$ 1,119,402</u>	<u>\$ (1,015,317)</u>
Total categorical aid	<u>\$ 3,565,302</u>	<u>\$ 3,565,302</u>	<u>\$ 2,583,995</u>	<u>\$ (981,307)</u>

County of Grayson, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2011

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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Total revenue from the Commonwealth	\$ 4,407,802	\$ 4,407,802	\$ 3,462,104	\$ (945,698)
Revenue from the federal government:				
Non-categorical aid:				
Payments in lieu of taxes	\$ 55,000	\$ 55,000	\$ 22,957	\$ (32,043)
Total non-categorical aid	\$ 55,000	\$ 55,000	\$ 22,957	\$ (32,043)
Categorical aid:				
Public assistance and welfare administration	\$ -	\$ -	\$ 858,408	\$ 858,408
Courthouse green projects	-	-	677,504	677,504
Emergency preparedness	-	-	6,650	6,650
Arts & humanities	2,000	2,000	2,000	-
TEA fund	857,000	857,000	291,102	(565,898)
Ground transportation grant	-	-	4,647	4,647
Total categorical aid	\$ 859,000	\$ 859,000	\$ 1,840,311	\$ 981,311
Total revenue from the federal government	\$ 914,000	\$ 914,000	\$ 1,863,268	\$ 949,268
Total General Fund	\$ 16,675,041	\$ 17,744,300	\$ 18,229,634	\$ 485,334
Special Revenue Funds:				
Community Development Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 1,477	\$ 1,477
Total revenue from use of money and property	\$ -	\$ -	\$ 1,477	\$ 1,477
Total revenue from local sources	\$ -	\$ -	\$ 1,477	\$ 1,477
Total Community Development Fund	\$ -	\$ -	\$ 1,477	\$ 1,477
Industrial Development Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 335	\$ 335
Total revenue from local sources	\$ -	\$ -	\$ 335	\$ 335
Revenue from the Commonwealth:				
Categorical aid:				
Tobacco commission grant	\$ -	\$ -	\$ 75,000	\$ 75,000
Total revenue from the Commonwealth	\$ -	\$ -	\$ 75,000	\$ 75,000
Total Industrial Development Fund	\$ -	\$ -	\$ 75,335	\$ 75,335

County of Grayson, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2011

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Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Capital Projects Fund:				
School Construction Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 2,050	\$ 2,050
Total School Construction Fund	\$ -	\$ -	\$ 2,050	\$ 2,050
Total Primary Government	\$ 16,675,041	\$ 17,744,300	\$ 18,308,496	\$ 564,196
Discretely Presented Component Unit - School Board:				
Special Revenue Funds:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 184	\$ 184
Charges for services:				
Special pupil fees	\$ 12,000	\$ 12,000	\$ -	\$ (12,000)
Textbook fees	500	500	33	(467)
Cafeteria sales	55,000	55,000	362,074	307,074
Transportation of pupils	6,500	6,500	4,000	(2,500)
Total charges for services	\$ 74,000	\$ 74,000	\$ 366,107	\$ 292,107
Miscellaneous revenue:				
Other miscellaneous	\$ 337,000	\$ 337,000	\$ 506,613	\$ 169,613
Recovered costs:				
Payments from other localities	\$ 90,000	\$ 90,000	\$ 19,033	\$ (70,967)
Total recovered costs	\$ 90,000	\$ 90,000	\$ 19,033	\$ (70,967)
Total revenue from local sources	\$ 501,000	\$ 501,000	\$ 891,937	\$ 390,937
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Grayson, Virginia	\$ 4,039,715	\$ 4,039,715	\$ 5,084,075	\$ 1,044,360
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 1,894,584	\$ 1,894,584	\$ 1,972,034	\$ 77,450
Basic school aid	6,258,661	6,258,661	6,025,258	(233,403)
Remedial summer education	38,431	38,431	46,242	7,811
Regular foster care	1,156	1,156	-	(1,156)
ISAEF	7,859	7,859	7,859	-
Gifted and talented	57,283	57,283	58,099	816
Remedial education	224,039	224,039	227,232	3,193
Special education	679,756	679,756	689,442	9,686
Composite index transition	812,527	812,527	747,477	(65,050)
Textbook payment	66,881	66,881	67,834	953
School food	13,505	13,505	12,838	(667)
Vocational standards of quality payments	281,322	281,322	285,331	4,009
Vocational adult education	-	-	466	466
Social security fringe benefits	400,980	400,980	406,694	5,714
Retirement fringe benefits	238,042	238,042	241,434	3,392

County of Grayson, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2011

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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
Special Revenue Funds: (Continued)				
School Operating Fund: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Group life insurance fringe benefit	\$ 15,275	\$ 15,275	\$ 15,493	\$ 218
Early reading intervention	26,946	26,946	33,165	6,219
Special education - Homebound	10,206	10,206	26,630	16,424
Special education - tuition	152,007	152,007	129,516	(22,491)
School breakfast	7,500	7,500	5,369	(2,131)
Industry certification cost	-	-	3,358	3,358
Vocational education - equipment	-	-	5,556	5,556
Vocational occupational preparedness	34,335	34,335	29,478	(4,857)
Virginia preschool initiative	135,076	135,076	135,076	-
Mentor teacher program	-	-	2,135	2,135
Standards of Learning algebra readiness	27,668	27,668	29,741	2,073
HSTW	-	-	50,325	50,325
National board certified teacher	-	-	12,500	12,500
Primary class size	55,838	55,838	55,427	(411)
Technology	310,000	310,000	594,000	284,000
English as a second language	8,101	8,101	15,835	7,734
At risk payments	252,092	252,092	255,602	3,510
Jobs for Virginia graduates	22,500	22,500	21,000	(1,500)
Other categorical aid	6,044	6,044	-	(6,044)
Total categorical aid	\$ 12,038,614	\$ 12,038,614	\$ 12,208,446	\$ 169,832
Total revenue from the Commonwealth	\$ 12,038,614	\$ 12,038,614	\$ 12,208,446	\$ 169,832
Revenue from the federal government:				
Categorical aid:				
Forest reserve fund	\$ -	\$ -	\$ 78,599	\$ 78,599
Literacy challenge grant	-	-	5,198	5,198
Title I	503,693	503,693	576,522	72,829
Title I - Recovery act	322,034	322,034	371,582	49,548
Title VI-B, special education flow-through	524,710	524,710	487,391	(37,319)
Title VI-B, special education pre-school	155,253	155,253	22,262	(132,991)
Title IV	600,000	600,000	982,080	382,080
Drug free schools	11,114	11,114	5,310	(5,804)
Title II, basic skills	236,685	236,685	288,387	51,702
National school lunch program	195,745	195,745	198,222	2,477
School food	545,146	545,146	545,061	(85)
Fresh fruits and vegetables	-	-	15,872	15,872
Education tech - Recovery act	-	-	8,580	8,580
School improvement - Recovery act	-	-	406,440	406,440
State Fiscal Stabilization Fund - Recovery act	-	-	4,747	4,747
Gear up grant	-	-	26,015	26,015
Perkins	63,000	63,000	-	(63,000)
Learn and serve grant	23,100	23,100	23,100	-
Reading first	-	-	81,010	81,010
Title VI, rural and low income school administration	-	-	75,583	75,583
Other categorical aid	342,739	342,739	-	(342,739)
Total categorical aid	\$ 3,523,219	\$ 3,523,219	\$ 4,201,961	\$ 678,742
Total revenue from the federal government	\$ 3,523,219	\$ 3,523,219	\$ 4,201,961	\$ 678,742
Total School Operating Fund	\$ 20,102,548	\$ 20,102,548	\$ 22,386,419	\$ 2,283,871
Total Discretely Presented Component Unit - School Board	\$ 20,102,548	\$ 20,102,548	\$ 22,386,419	\$ 2,283,871

County of Grayson, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2011

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<u>Fund, Function, Activity, and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 48,911	\$ 48,994	\$ 61,415	\$ (12,421)
General and financial administration:				
County administrator	\$ 393,976	\$ 496,216	\$ 435,408	\$ 60,808
Zoning	48,520	48,520	34,707	13,813
Audit services	66,000	66,000	70,430	(4,430)
Legal services	23,000	23,000	29,243	(6,243)
Commissioner of revenue	245,864	246,127	198,374	47,753
Assessor	10,753	109,753	116,080	(6,327)
Treasurer	228,689	228,763	244,271	(15,508)
Total general and financial administration	<u>\$ 1,016,802</u>	<u>\$ 1,218,379</u>	<u>\$ 1,128,513</u>	<u>\$ 89,866</u>
Board of elections:				
Registrar	\$ 87,407	\$ 87,407	\$ 72,137	\$ 15,270
Electoral board and officials	28,242	28,242	31,133	(2,891)
Total board of elections	<u>\$ 115,649</u>	<u>\$ 115,649</u>	<u>\$ 103,270</u>	<u>\$ 12,379</u>
Total general government administration	<u>\$ 1,181,362</u>	<u>\$ 1,383,022</u>	<u>\$ 1,293,198</u>	<u>\$ 89,824</u>
Judicial administration:				
Courts:				
Circuit court	\$ 5,000	\$ 5,000	\$ 1,720	\$ 3,280
General district court	7,500	7,500	6,615	885
Special magistrates	1,720	1,720	1,349	371
Juvenile and domestic relations court	50,000	50,000	41,057	8,943
VJCCA	15,000	15,000	15,817	(817)
Courthouse	39,120	39,120	30,772	8,348
Asset forfeiture	100,000	100,000	2,406	97,594
Law library	6,600	6,600	4,729	1,871
Community	34,282	34,282	41,555	(7,273)
Shoplifting	225	225	388	(163)
Substance	1,820	1,820	998	822
Anger	3,510	3,510	2,412	1,098
Clerk of the circuit court	265,279	265,282	262,770	2,512
Total courts	<u>\$ 530,056</u>	<u>\$ 530,059</u>	<u>\$ 412,588</u>	<u>\$ 117,471</u>
Commonwealth's attorney:				
Commonwealth's attorney	\$ 332,208	\$ 332,447	\$ 338,458	\$ (6,011)
Victim witness	30,467	30,467	30,183	284
Total commonwealth's attorney	<u>\$ 362,675</u>	<u>\$ 362,914</u>	<u>\$ 368,641</u>	<u>\$ (5,727)</u>
Total judicial administration	<u>\$ 892,731</u>	<u>\$ 892,973</u>	<u>\$ 781,229</u>	<u>\$ 111,744</u>
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 1,648,981	\$ 1,660,410	\$ 1,665,411	\$ (5,001)
Asset forfeiture fund	-	-	9,352	(9,352)
Total law enforcement and traffic control	<u>\$ 1,648,981</u>	<u>\$ 1,660,410</u>	<u>\$ 1,674,763</u>	<u>\$ (14,353)</u>
Fire and rescue services:				
Volunteer fire department	\$ 171,644	\$ 171,539	\$ 113,105	\$ 58,434
Ambulance and rescue services	139,276	139,276	141,604	(2,328)
E-911 fund	-	-	24,984	(24,984)
Total fire and rescue services	<u>\$ 310,920</u>	<u>\$ 310,815</u>	<u>\$ 279,693</u>	<u>\$ 31,122</u>

County of Grayson, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2011

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<u>Fund, Function, Activity, and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public safety: (Continued)				
Correction and detention:				
Regional jail payments	\$ 683,694	\$ 683,694	\$ 770,041	\$ (86,347)
Inspections:				
Building	\$ 96,289	\$ 96,467	\$ 110,526	\$ (14,059)
Other protection:				
Animal warden	\$ 81,706	\$ 81,706	\$ 62,180	\$ 19,526
Medical examiner	2,000	2,000	160	1,840
Total other protection	\$ 83,706	\$ 83,706	\$ 62,340	\$ 21,366
Total public safety	\$ 2,823,590	\$ 2,835,092	\$ 2,897,363	\$ (62,271)
Public works:				
Sanitation and waste removal:				
Refuse collection	\$ 671,121	\$ 689,539	\$ 656,001	\$ 33,538
Refuse disposal	337,000	337,000	329,748	7,252
Recycling program	30,455	31,516	56,949	(25,433)
Total sanitation and waste removal	\$ 1,038,576	\$ 1,058,055	\$ 1,042,698	\$ 15,357
Maintenance of general buildings and grounds:				
General properties	\$ 118,956	\$ 118,956	\$ 106,637	\$ 12,319
Jail building	17,700	17,700	15,819	1,881
Courthouse	109,226	893,657	957,897	(64,240)
Health center	3,500	3,500	864	2,636
Total maintenance of general buildings and grounds	\$ 249,382	\$ 1,033,813	\$ 1,081,217	\$ (47,404)
Total public works	\$ 1,287,958	\$ 2,091,868	\$ 2,123,915	\$ (32,047)
Health and welfare:				
Health:				
Supplement of local health department	\$ 167,310	\$ 167,310	\$ 167,310	\$ -
Mental health and mental retardation:				
Chapter X board	\$ 43,200	\$ 43,200	\$ 43,200	\$ -
Welfare:				
Welfare administration	\$ 1,335,666	\$ 1,335,666	\$ 1,318,551	\$ 17,115
Public assistance	275,229	346,663	342,221	4,442
Comprehensive services act	700,000	700,000	483,215	216,785
District III	13,436	13,436	13,436	-
Total welfare	\$ 2,324,331	\$ 2,395,765	\$ 2,157,423	\$ 238,342
Total health and welfare	\$ 2,534,841	\$ 2,606,275	\$ 2,367,933	\$ 238,342
Education:				
Other instructional costs:				
Contributions to Community College	\$ 22,100	\$ 22,100	\$ 22,100	\$ -
Contribution to County School Board	5,203,111	5,203,111	5,084,075	119,036
Total education	\$ 5,225,211	\$ 5,225,211	\$ 5,106,175	\$ 119,036
Parks, recreation, and cultural:				
Parks and recreation:				
Recreational	\$ 176,000	\$ 176,016	\$ 200,456	\$ (24,440)

County of Grayson, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2011

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<u>Fund, Function, Activity, and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Parks, recreation, and cultural: (Continued)				
Cultural enrichment:				
Arts and crafts	\$ 15,300	\$ 15,300	\$ 11,200	\$ 4,100
Library:				
Contribution to regional library	\$ 281,239	\$ 281,239	\$ 283,233	\$ (1,994)
Total parks, recreation, and cultural	\$ 472,539	\$ 472,555	\$ 494,889	\$ (22,334)
Community development:				
Planning and community development:				
Planning commission	\$ 32,150	\$ 32,150	\$ 15,199	\$ 16,951
Tourism development	66,856	105,495	122,494	(16,999)
Twin county airport	20,700	20,700	20,700	-
Rooftop CAP	6,300	6,300	6,300	-
Electronic village	8,100	8,100	6,333	1,767
Enhanced 911 commission	173,524	173,524	144,521	29,003
Multi-flora rose	450	450	161	289
Economic development	70,000	145,000	1,800	143,200
Other community development	362,774	535,064	204,737	330,327
Total planning and community development	\$ 740,854	\$ 1,026,783	\$ 522,245	\$ 504,538
Environmental management:				
Contribution to soil and water district	\$ 4,230	\$ 4,230	\$ 4,230	\$ -
Cooperative extension program:				
Extension office	\$ 63,809	\$ 63,809	\$ 56,288	\$ 7,521
Total community development	\$ 808,893	\$ 1,094,822	\$ 582,763	\$ 512,059
Capital projects:				
TEA project	\$ 857,000	\$ 857,000	\$ 362,875	\$ 494,125
Debt service:				
Principal retirement	\$ 3,432,495	\$ 3,432,495	\$ 2,358,145	\$ 1,074,350
Interest and other fiscal charges	117,505	117,505	80,708	36,797
Total debt service	\$ 3,550,000	\$ 3,550,000	\$ 2,438,853	\$ 1,111,147
Total General Fund	\$ 19,634,125	\$ 21,008,818	\$ 18,449,193	\$ 2,559,625
Industrial Development Fund				
Community Development:				
Industrial development	\$ -	\$ -	\$ 75,000	\$ (75,000)
Total Industrial Development Fund	\$ -	\$ -	\$ 75,000	\$ (75,000)

County of Grayson, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2011

Schedule 2
 Page 4 of 4

<u>Fund, Function, Activity, and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Capital Projects Fund:				
School Construction Fund:				
Capital projects:				
County schools	\$ -	\$ -	\$ 1,255,022	\$ (1,255,022)
Total capital projects	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,255,022</u>	<u>\$ (1,255,022)</u>
Debt service:				
Interest and other fiscal charges	\$ -	\$ -	\$ 311,681	\$ (311,681)
Total debt service	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 311,681</u>	<u>\$ (311,681)</u>
Total Capital Projects Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,566,703</u>	<u>\$ (1,566,703)</u>
Total Primary Government	<u>\$ 19,634,125</u>	<u>\$ 21,008,818</u>	<u>\$ 20,090,896</u>	<u>\$ 917,922</u>
Discretely Presented Component Unit - School Board				
Special revenue funds:				
School Operating Fund:				
Education:				
Administration of schools:				
Administration, attendance and health	\$ 748,111	\$ 748,111	\$ 796,537	\$ (48,426)
Total administration of schools	<u>\$ 748,111</u>	<u>\$ 748,111</u>	<u>\$ 796,537</u>	<u>\$ (48,426)</u>
Instructional costs:				
Classroom instruction	\$ 15,034,140	\$ 15,034,140	\$ 15,948,888	\$ (914,748)
Operating costs:				
School food	\$ 809,397	\$ 809,397	\$ 1,146,044	\$ (336,647)
Pupil transportation	1,566,388	1,566,388	1,702,667	(136,279)
Operation and maintenance of school plant	1,944,512	1,944,512	2,229,500	(284,988)
Facilities	-	-	670,785	(670,785)
Total operating costs	<u>\$ 4,320,297</u>	<u>\$ 4,320,297</u>	<u>\$ 5,748,996</u>	<u>\$ (1,428,699)</u>
Total education	<u>\$ 20,102,548</u>	<u>\$ 20,102,548</u>	<u>\$ 22,494,421</u>	<u>\$ (2,391,873)</u>
Total School Operating Fund	<u>\$ 20,102,548</u>	<u>\$ 20,102,548</u>	<u>\$ 22,494,421</u>	<u>\$ (2,391,873)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 20,102,548</u>	<u>\$ 20,102,548</u>	<u>\$ 22,494,421</u>	<u>\$ (2,391,873)</u>

OTHER STATISTICAL INFORMATION

Table 1

County of Grayson, Virginia
Government-Wide Expenses by Function
Last Ten Fiscal Years (1)

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

(1) Information has only been available for 9 years.

Table 2

County of Grayson, Virginia
Government-Wide Revenues
Last Ten Fiscal Years (1)

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			
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	968,606	6,181,765	1,716,432	320,763	120,632	590,274	14,224,405		
2006-07	397,917	3,629,836	185,121	6,112,092	1,668,962	296,834	224,502	596,605	13,111,869		
2005-06	408,753	2,766,331	-	6,051,456	1,582,387	302,936	385,391	1,543,352	13,040,606		
2004-05	423,183	2,826,205	-	6,044,936	1,653,557	160,420	253,822	2,759,376	14,121,499		
2003-04	393,762	3,448,132	-	5,579,436	1,527,577	124,999	165,721	943,526	12,183,153		
2002-03	395,144	3,781,281	-	5,163,344	1,488,192	133,976	230,046	631,238	11,823,221		

(1) Information has only been available for 9 years.

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
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
2002-03	757,292	417,573	1,919,058	981,256	2,800,860	18,732,060	327,202	477,002	379,740	26,792,043
2001-02	807,655	456,974	1,883,120	970,411	2,664,189	17,566,725	332,782	252,666	384,670	25,319,192

(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
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	28,774,985
2003-04	5,589,426	1,527,577	71,654	1,210	125,379	672,022	508,296	210,517	17,917,027	26,623,108
2002-03	5,144,630	1,488,192	72,474	1,388	136,034	664,933	555,492	192,947	17,870,815	26,126,905
2001-02	5,276,631	1,503,231	242,759	1,484	168,260	491,030	324,969	128,452	17,960,213	26,097,029

(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 (1,2)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1,3)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1)	Percent of Delinquent Taxes to Tax Levy
2010-11	\$ 9,632,648	\$ 9,067,919	94.14%	\$ 411,546	\$ 9,479,465	98.41%	\$ 949,816	9.86%
2009-10	7,483,293	7,105,026	94.95%	125,347	7,230,373	96.62%	864,277	11.55%
2008-09	6,749,174	6,400,262	94.83%	202,886	6,603,148	97.84%	541,748	8.03%
2007-08	6,527,134	6,351,609	97.31%	264,911	6,616,520	101.37%	509,974	7.81%
2006-07	6,496,946	6,212,415	95.62%	207,087	6,419,502	98.81%	523,523	8.06%
2005-06	6,507,897	6,200,206	95.27%	198,406	6,398,612	98.32%	532,713	8.19%
2004-05	6,349,758	6,122,542	96.42%	163,727	6,286,269	99.00%	453,537	7.14%
2003-04	5,902,071	5,693,158	96.46%	202,187	5,895,345	99.89%	457,901	7.76%
2002-03	5,503,074	5,320,352	96.68%	151,799	5,472,151	99.44%	446,404	8.11%
2001-02	5,663,665	5,476,127	96.69%	155,099	5,631,226	99.43%	436,485	7.71%

(1) Exclusive of penalties and interest.

(2) 1999-00 was the first year for personal property tax relief by the Commonwealth of Virginia.

(3) Does not include land redemptions.

Table 6

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

Fiscal Year	Real Estate	Personal Property and Mobile Homes	Merchant's Capital	Machinery and Tools	Public Utility (2)			Total
					Real Estate	Real Estate	Personal Property	
2010-11	\$ 1,655,566,400	\$ 98,196,863	\$ 493,893	\$ 8,481,414	\$ 35,439,899	\$ 61,188	\$ 1,798,239,657	
2009-10	1,621,461,200	99,919,088	524,132	9,131,754	31,935,368	56,855	1,763,028,397	
2008-09	1,613,126,400	112,401,550	591,240	10,251,338	31,152,651	64,327	1,767,587,506	
2007-08	1,599,974,100	107,167,114	771,863	8,562,723	34,490,621	17,455	1,750,983,876	
2006-07	1,585,856,000	107,399,775	711,519	11,060,509	39,087,380	21,634	1,744,136,817	
2005-06	820,748,700	110,421,430	654,137	13,402,691	26,246,852	16,301	971,490,111	
2004-05	814,103,887	99,919,340	573,498	11,277,161	26,717,935	-	952,591,821	
2003-04	798,173,951	107,768,327	538,703	12,972,169	26,710,965	29,379	946,193,494	
2002-03	786,702,128	102,010,802	529,071	15,218,772	32,355,152	-	936,815,925	
2001-02	675,085,147	107,643,712	618,992	16,609,081	29,965,625	-	829,922,557	

(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
2010-11	\$ 0.49	\$ 1.75	\$ 1.75	\$ 6.70
2009-10	0.34	1.75	1.75	6.70
2008-09	0.30	1.50	1.50	6.70
2007-08	0.30	1.50	1.50	6.70
2006-07	0.29	1.50	1.50	6.70
2005-06	0.55	1.50	1.50	6.70
2004-05	0.55	1.60	1.60	6.70
2003-04	0.53	1.35	1.35	6.70
2002-03	0.50	1.25	1.25	6.70
2001-02	0.59	1.25	1.25	6.70

(1) Per \$100 of assessed value.

Table 8

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

Fiscal Year	Population (1)	Assessed Value (in thousands) (2)	Gross Bonded Debt (3)	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2010-11	17,917	\$ 1,798,240	\$ 19,509,496	\$ 19,509,496	1.08%	\$ 1,089
2009-10	17,917	1,763,028	19,585,001	19,585,001	1.11%	1,093
2008-09	17,917	1,767,588	17,778,438	17,778,438	1.01%	992
2007-08	17,917	1,750,984	18,056,971	18,056,971	1.03%	1,008
2006-07	17,917	1,744,137	1,960,336	1,960,336	0.11%	109
2005-06	17,917	971,490	2,161,935	2,161,935	0.22%	121
2004-05	17,917	952,592	631,470	631,470	0.07%	35
2003-04	17,917	946,193	769,470	769,470	0.08%	43
2002-03	17,917	936,816	975,470	975,470	0.10%	54
2001-02	17,917	829,923	1,181,470	1,181,470	0.14%	66

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

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

COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Grayson, Virginia, as of and for the year ended June 30, 2011, which collectively comprise the County of Grayson, Virginia's basic financial statements and have issued our report thereon dated November 17, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the County of Grayson, Virginia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County of Grayson, Virginia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County of Grayson, Virginia's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

COMPLIANCE AND OTHER MATTERS

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

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

Robinson, Turner & Associates
Blacksburg, Virginia
November 17, 2011

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

Compliance

We have audited the County of Grayson, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County of Grayson, Virginia's major federal programs for the year ended June 30, 2011. The County of Grayson, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County of Grayson, Virginia's management. Our responsibility is to express an opinion on the County of Grayson, Virginia's compliance based on our audit.

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

In our opinion, the County of Grayson, Virginia complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule findings and questioned costs as item 2011-1.

Internal Control Over Compliance

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

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2011-1. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Robinson, James, & Associates

Blacksburg, Virginia
November 17, 2011

County of Grayson, Virginia
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2011

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department Health and Human Services			
Pass Through Payments:			
<i>Department of Social Services:</i>			
<i>Child Care and Development Fund Cluster:</i>			
Child Care and Development Block Grant	93.575	90544, 90545	\$ 43,259
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	90116, 90117, 90118, 90236 90237, 90238, 90378	43,952
ARRA - Child Care and Development Block Grant	93.713	90116, 90117, 90118, 90236 90237, 90238, 90378	5,386
Promoting Safe and Stable Families	93.556	90249, 90360	12,209
Temporary Assistance for Needy Families (TANF)	93.558	90109, 90110, 90111, 90112 90127, 90229, 90230, 90231 90232, 90247, 90366, 90409 90411, 90412, 90413	176,227
Refugee and Entrant Assistance - State Administered Programs	93.566	90113, 90233, 90413, 90713	294
Low-Income Home Energy Assistance	93.568	90114, 90115, 90234, 90235	13,473
Chafee Education and Training Vouchers Program	93.599	90353	704
Stephanie Tubbs Jones Child Welfare Services Program	93.645	90251	735
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	\$ 89,644
ARRA - Foster Care - Title IV-E	93.658	90636, 90637, 90639, 90658	3,390
Adoption Assistance	93.659	90108, 90214, 90228, 90408 90606, 90708	\$ 59,807
ARRA - Adoption Assistance	93.659	90606	3,284
Social Services Block Grant	93.667	90120, 90122, 90123, 90240 90242, 90243, 90262, 90306 90312, 90322, 90339, 90340	133,615
Chafee Foster Care Independence Program	93.674	90254	2,961
Medical Assistance Program	93.778	90101, 90146, 90213, 90221 90266, 90401, 90446, 90701 90746	98,602
Children's Health Insurance Program	93.767	90102, 90222, 90402, 90702	4,805
Total Department of Health and Human Services			\$ 692,357
Department of Agriculture:			
Pass Through Payments:			
<i>Department of Agriculture:</i>			
<i>Child Nutrition Cluster:</i>			
Food Distribution (Note 3)	10.555	40623	\$ 68,474
<i>Department of Education:</i>			
<i>Child Nutrition Cluster:</i>			
National school lunch program	10.555	40623	476,587
<i>Department of Agriculture:</i>			
<i>Child Nutrition Cluster:</i>			
Fresh Fruit and Vegetable Program	10.582	40599	15,872
USDA Community Facilities Grant	10.766	Not applicable	
ARRA - Water and Waste Disposal Systems for Rural Communities	10.781	Not applicable	141,433
<i>Department of Education:</i>			
<i>Child Nutrition Cluster:</i>			
National school breakfast program	10.553	40591	198,222
Schools and Roads - Grants to States	10.665	43841	78,599
<i>Department of Social Services:</i>			
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	90103, 90104, 90212, 90223 90224, 90403, 90404, 90703 90704	\$ 164,714
ARRA - State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	90103, 90104, 90212, 90223 90224, 90403, 90404, 90703 90704	1,337
Total Department of Agriculture			\$ 1,145,238

County of Grayson, Virginia
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2011

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of the Interior:			
Direct payments:			
Bureau of Land Management:			
Payments in Lieu of Taxes	12.112	n/a	\$ 22,957
National Foundation on the Arts and Humanities:			
Pass Through Payments:			
<i>Virginia Commission for the Arts:</i>			
Promotion of the arts-partnership agreements	45.025	99910	\$ 2,000
Department of Energy:			
Pass Through Payments:			
State Department of Mines, Minerals and Energy			
Energy Efficiency and Conservation Block Grant	81.128		\$ 677,504
Department of Transportation:			
Pass Through Payments:			
<i>Department of Motor Vehicles:</i>			
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	59198	\$ 4,647
Department of Homeland Security:			
Pass Through Payments:			
<i>Department of Emergency Services:</i>			
Emergency management performance grant	97.042	52749	\$ 6,650
Department of Education:			
Pass Through Payments:			
<i>Department of Education:</i>			
<i>Special Education Cluster:</i>			
Special Education - Preschool Grants	84.173	62521	\$ 22,262
Special Education - Grants to States	84.027	43071	487,391
<i>Education Technology State Grants Cluster:</i>			
Education Technology State Grants	84.318	61600	5,198
ARRA - Education Technology State Grants	84.386	60897	8,580
<i>Title I, Part A Cluster:</i>			
Title I: Grants to Local Educational Agencies	84.010	42892, 42901	576,522
ARRA - Title I: Grants to Local Educational Agencies	84.389		371,582
Safe and Drug-free schools and communities - State Grants	84.186	65011	5,310
Twenty-first century community learning centers	84.287	60565	982,080
Gaining Early Awareness and Readiness for Undergraduate Program	84.334		26,015
Reading First State Grant	84.357	60655	81,010
Rural Education	84.358	43481	75,583
Improving Teacher Quality State Grants	84.367	61480	288,387
ARRA - 1003g School Improvement Grant	84.388		406,440
Learn and Serve America - School and Community Based Programs	94.004		23,100
ARRA - State Fiscal Stabilization Funds - Education State Grants	84.394	62532	4,747
Total Department of Education			\$ 3,364,207
Department of Housing and Urban Development:			
Pass Through Payments:			
<i>Department of Housing and Community Development:</i>			
ARRA - Highway Planning and Construction	20.205		\$ 291,102
Total Expenditures of Federal Awards			\$ 6,206,662

See accompanying notes to schedule of expenditures of federal awards.

County of Grayson, Virginia
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

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, 2011. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the County of Grayson, Virginia, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the County of Grayson, Virginia.

Note 2 -- Summary of Significant Accounting Policies

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB A-87's *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 -- Relationship to the Financial Statements:

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:	
General Fund	\$ 1,863,268
Fairview Water Fund	<u>141,433</u>
Total primary government	<u>\$ 2,004,701</u>
Component Unit Schools:	
School Operating Fund	<u>\$ 4,201,961</u>
Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u><u>\$ 6,206,662</u></u>

County of Grayson, Virginia

Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

Section I - Summary of Auditor's Results

Financial Statements

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

Federal Awards

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

Identification of major programs:

CFDA #	Name of Federal Program or Cluster
84.010/84.389	Title I Cluster
84.027/84.173	Special Education - IDEA Cluster
10.781	ARRA - Water and Waste Disposal Systems for Rural Communities
81.128	Energy Efficiency and Conservation Block Grant
84.287	Twenty-first Century Community Learning Centers
84.388	ARRA - 1003g School Improvement
20.205	ARRA - Highway Planning and Construction

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

Section II - Financial Statement Findings

There are no financial statement findings to report.

County of Grayson, Virginia

Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

Section III - Federal Award Findings and Questioned Costs

2011-1

Program Titles: Special Education Cluster
1003g School Improvement Grant

CFDA Numbers: 84.027/84.173
84.388

Compliance Requirement: Cash Management

Finding Type: Noncompliance

Criteria: Per single audit 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.

Context: All reimbursement requests that related to the year under audit were reviewed for each program (seven and five for the Special Education Cluster and 1003g School Improvement Grant, respectively). Of the reimbursement requests reviewed, it was noted that all Special Education Cluster reimbursements were made on the same date, for a period covering 18 months. Of the 1003g reimbursement requests reviewed, four covered a time period of greater than three months.

Cause: Lack of appropriate procedures over cash management to ensure that reimbursement requests are submitted at least quarterly.

Effect: Reimbursements of local funds expended for Federal programs are not being received in a timely manner.

Recommendation: Management should establish a policy requiring reimbursement requests for Federal programs to be submitted at a minimum of quarterly.

Management's
Response and Corrective Action: Management of the School Board has acknowledged that a cash management policy is necessary and is working to have this implemented in the next year.

Section IV - Status of Prior Audit Findings and Questioned Costs

There were no prior findings reported.