

COUNTY OF GRAYSON, VIRGINIA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

COUNTY OF GRAYSON, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2020

TABLE OF CONTENTS

INTRODUCTORY SECTION

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

FINANCIAL SECTION

	<u>Page</u>
Independent Auditors' Report	2-4
Management's Discussion and Analysis	5-13
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	14
Statement of Activities	15
Fund Financial Statements:	
Balance Sheet - Governmental Funds	16
Reconciliation of the Balance Sheet - Governmental Funds to the	
Statement of Net Position	17
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances -	
Governmental Funds to the Statement of Activities	19
Statement of Net Position - Proprietary Funds	20
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	21
Statement of Cash Flows - Proprietary Funds	22
Statement of Fiduciary Net Position - Fiduciary Funds	23
Statement of Changes in Fiduciary Net Position - Fiduciary Funds	24
Notes to Financial Statements	25-102
Required Supplementary Information:	
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual:	
General Fund	103
Special Revenue Fund	104
Schedule of Employer's Share of Net OPEB Liability - Group Life Insurance (GLI) Plan	105
Schedule of Employer Contributions - Group Life Insurance (GLI) Plan	106
Notes to Required Supplementary Information - Group Life Insurance (GLI) Plan	107
Schedule of School Board's Share of Net OPEB Liability - Teacher Employee Health Insurance Credit (TIC)	108
Schedule of Employer Contributions - Teacher Employee Health Insurance Credit (TIC)	109
Notes to Required Supplementary Information - Teacher Employee Health Insurance Credit (TIC)	110
Schedule of Employer's Proportionate Share of the Total OPEB Liability - Primary Government - Health Insurance	111
Schedule of Changes in Total OPEB Liability and Related Ratios - Discretely	
Presented Component Unit - School Board - Health Insurance	112
Notes to Required Supplementary Information - Primary Government and Discretely	
Presented Component Unit - School Board - Health Insurance	113
Schedule of Employer's Proportionate Share of the Net Pension Liability	114
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios:	
Component Unit - School Board (nonprofessional)	115
Schedule of Employer Contributions - Pension	116
Notes to Required Supplementary Information - Pension	117
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios:	
Grayson County Supplemental Retirement Program (ERIP)	118
Notes to Required Supplementary Information (ERIP)	119

COUNTY OF GRAYSON, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2020

TABLE OF CONTENTS (continued)

FINANCIAL SECTION (continued)

Other Supplementary Information:	<u>Exhibit</u>	<u>Page</u>
Combining Statement of Fiduciary Net Position - Fiduciary Funds	29	120
Combining Statement of Changes in Assets and Liabilities - Agency Funds	30	121
Discretely Presented Component Unit - School Board:		
Balance Sheet	31	122
Statement of Revenues, Expenditures, and Changes in Fund Balances	32	123
Schedule of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual	33	124
 Supporting Schedules:	<u>Schedule</u>	<u>Page</u>
Schedule of Revenues - Budget and Actual - Governmental Funds	1	125-129
Schedule of Expenditures - Budget and Actual - Governmental Funds	2	130-133
 Other Statistical Information:	<u>Table</u>	<u>Page</u>
Government-wide Information:		
Government-wide Expenses by Function	1	134
Government-wide Revenues	2	135
Fund Information:		
General Governmental Expenditures by Function	3	136
General Governmental Revenues by Source	4	137
Property Tax Levies and Collections	5	138
Assessed Value of Taxable Property	6	139
Property Tax Rates	7	140
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt per Capita	8	141
Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Governmental Expenditures	9	142

COMPLIANCE SECTION

	<u>Page</u>
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	143-144
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	145-146
Schedule of Expenditures of Federal Awards	147-148
Schedule of Findings and Questioned Costs	149-150

INTRODUCTORY SECTION

COUNTY OF GRAYSON, VIRGINIA

BOARD OF SUPERVISORS

Michael S. Hash, Vice Chair	Kenneth R. Belton, Chairman	John S. Fant
Brenda Sutherland		Thomas Revels

COUNTY SCHOOL BOARD

Fred Weatherman, Vice Chair	Diane Haynes, Chair	Rick Sage
Randy Shinault		Tracy “Zeke” Anderson

SOCIAL SERVICES BOARD

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

Clerk of the Circuit Court	Susan Herrington
Commonwealth's Attorney.....	Brandon Boyles
Commissioner of the Revenue	Larry D. Bolt
Treasurer	Raymond “Pete” Hall, Jr.
Sheriff.....	Richard Vaughan
Superintendent of Schools.....	Kelly Wilmore
Director of Social Services.....	Kristin Shumate
County Administrator.....	Bill Shepley

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of County of Grayson, Virginia, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Grayson, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Restatement of Beginning Balances

As described in Note 25 to the financial statements, in 2020, the County restated beginning balances to correct several beginning balances. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 5-13, 103-104, and 105-119 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Supplementary and Other Information

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

Supplementary and Other Information (Continued)

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2021, 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 solely 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 effectiveness of County of Grayson, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Grayson, Virginia's internal control over financial reporting and compliance.



Blacksburg, Virginia
January 4, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020

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

As management of the County of Grayson, Virginia we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with the basic audited financial statements.

Financial Highlights

- The assets and deferred outflows of the County's governmental activities exceeded its liabilities and deferred inflows at the close of the fiscal year by \$14,198,566 (net position). Of this amount, \$4,988,852 was considered unrestricted.
- The assets and deferred outflows of the County's business-type activities exceeded its liabilities and deferred inflows at the close of the fiscal year by \$2,193,557 (net position). Of this amount, \$109,038 was considered unrestricted.
- The liabilities and deferred inflows of the School Board component unit exceeded its assets and deferred outflows at the close of the fiscal year by \$(12,482,618) (net position). Of this amount \$(16,366,894) was considered unrestricted.
- As of the close of the current fiscal year, the County's funds reported combined ending fund balances of \$9,453,992. Of this amount, \$6,636,690 was considered unassigned, \$145,507 was considered nonspendable, \$778,248 was considered assigned, \$1,763,429 was considered committed, and \$130,118 was considered restricted.
- During the fiscal year, the County had a change in net position of \$2,231,859 for governmental activities, \$(91,378) for business-type activities, and \$156,499 for the School Board component unit. For the governmental activities, revenues and net transfers exceeded the expenses for the fiscal year. For the business-type activities component unit, expenses exceeded the revenues and net transfers for the fiscal year. For the School Board component unit, the revenues exceeded the expenses for the fiscal year.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020 (CONTINUED)

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020 (CONTINUED)

Overview of the Financial Statements (Continued)

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

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

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

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

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020 (CONTINUED)

Overview of the Financial Statements (Continued)

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

Government-wide Financial Analysis

As noted earlier, net position may serve as a useful indicator of a County's financial position. In the case of the County's Primary Government, assets and deferred outflows exceed liabilities and deferred inflows by \$14,198,566 at the close of the most recent fiscal year.

A significant portion of the County's net position, \$9,079,596 reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any outstanding debt related to acquisition of those assets. The County uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the County's net position, totaling \$130,118, is subject to restrictions on how it may be used. The remaining balance of net position of \$4,988,852 may be used to meet the County's ongoing obligations.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020 (CONTINUED)

Overview of the Financial Statements (Continued)

The following table summarizes the County's Statement of Net Position and Statement of Activities for 2020 and 2019:

Table 1

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2020	2019	2020	2019	2020
Current Assets	\$ 19,689,653	\$ 23,391,149	\$ 178,713	\$ 183,675	\$ 19,868,366	\$ 23,574,824
Capital Assets	23,231,645	23,299,529	2,200,636	2,103,530	25,432,281	25,403,059
Total Assets	42,921,298	46,690,678	2,379,349	2,287,205	45,300,647	48,977,883
Deferred Outflow of Resources	792,470	1,667,669	28,390	29,108	820,860	1,696,777
Current Liabilities	499,222	1,996,889	50,133	40,241	549,355	2,037,130
Long-Term Liabilities	21,840,853	21,625,261	62,561	76,297	21,903,414	21,701,558
Total Liabilities	22,340,075	23,622,150	112,694	116,538	22,452,769	23,738,688
Deferred Inflows of Resources	10,445,654	10,537,631	10,110	6,218	10,455,764	10,543,849
Net Position:						
Net Investment in Capital Assets	7,541,751	9,079,596	2,177,539	2,084,519	9,719,290	11,164,115
Restricted	138,724	130,118	-	-	138,724	130,118
Unrestricted	3,247,564	4,988,852	107,396	109,038	3,354,960	5,097,890
Total Net Position	\$ 10,928,039	\$ 14,198,566	\$ 2,284,935	\$ 2,193,557	\$ 13,212,974	\$ 16,392,123

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COUNTY OF GRAYSON, VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020 (CONTINUED)

Overview of the Financial Statements (Continued)

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2020	2019	2020	2019	2020
Charges for Services	\$ 1,780,336	\$ 2,209,390	\$ 230,600	\$ 225,262	\$ 2,010,936	\$ 2,434,652
Operating Grants/Contributions	5,019,848	5,539,099	-	-	5,019,848	5,539,099
Capital Grants/Contributions	496,056	9,883	13,000	15,000	509,056	24,883
Program Revenues	7,296,240	7,758,372	243,600	240,262	7,539,840	7,998,634
Taxes	12,098,359	13,791,254	-	-	12,098,359	13,791,254
Interest Income	143,375	108,057	-	-	143,375	108,057
Miscellaneous	176,525	182,265	-	-	176,525	182,265
Grants not restricted to program	905,828	883,902	-	-	905,828	883,902
General Revenues	13,324,087	14,965,478	-	-	13,324,087	14,965,478
Total Revenues	20,620,327	22,723,850	243,600	240,262	20,863,927	22,964,112
General Government	1,617,064	1,777,753	-	-	1,617,064	1,777,753
Judicial Administration	935,359	990,449	-	-	935,359	990,449
Public Safety	4,029,927	4,122,541	-	-	4,029,927	4,122,541
Public Works	2,069,853	2,102,385	-	-	2,069,853	2,102,385
Health and Welfare	3,579,973	3,780,733	-	-	3,579,973	3,780,733
Education	6,286,883	6,102,480	-	-	6,286,883	6,102,480
Parks, Recreation, Cultural	569,100	407,788	-	-	569,100	407,788
Community Development	1,160,240	817,271	-	-	1,160,240	817,271
Interest on long-term debt	538,345	390,591	-	-	538,345	390,591
Public Service Authority	-	-	315,022	331,640	315,022	331,640
Total Expenses	20,786,744	20,491,991	315,022	331,640	21,101,766	20,823,631
Change in Net Position	(166,417)	2,231,859	(71,422)	(91,378)	(237,839)	2,140,481
Beginning Net Position as restated	11,094,456	11,966,707	2,356,357	2,284,935	13,450,813	14,251,642
Ending Net Position	\$ 10,928,039	\$ 14,198,566	\$ 2,284,935	\$ 2,193,557	\$ 13,212,974	\$ 16,392,123

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020 (CONTINUED)

Financial Analysis of the County's Funds

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

Governmental Funds - The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a County's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$9,453,992; \$130,118 constitutes restricted fund balance, which is not available for current spending since it has been restricted by external parties such as grantors, laws or legislation. Approximately \$1,763,429 has been committed by action of the Board of Supervisors and \$778,248 has been assigned by the Board of Supervisors. The remaining balance, \$6,636,690 is unassigned, meaning there are no restrictions placed on the funds.

The general fund is the operating fund of the County. At the end of the current fiscal year, total fund balance of the general fund was \$8,667,138 of this amount \$6,636,690 was considered unassigned. The Economic Development Fund's entire fund balance of \$786,854 was committed.

Total governmental fund revenues increased \$1,683,991 as a result of the increased tax rates and expenditures increased \$16,502 over prior fiscal year amounts. For fiscal year ended June 30, 2020, expenditures exceeded revenues and other financing sources by \$838,572 as compared to the fiscal year ended June 30, 2019, when expenditures exceeded revenues and other financing sources by \$(828,917).

General Fund Budgetary Highlights

There were differences between the original budget and the final amended budget for the current year. The County budgeted revenues of \$22,314,844 for fiscal year 2020. The actual revenues were \$22,618,964 which is a favorable variance of \$304,120. The budgeted expenditures were \$22,615,088 for the County. The actual expenditures were \$21,827,512 which is a favorable variance of \$787,576 which is attributed to savings in various departments.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020 (CONTINUED)
Capital Assets and Debt Administration

Capital assets - The County's investment in capital assets for its governmental funds activities as of June 30, 2020 amounts to \$23,299,529 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and machinery and equipment. Expenditures for capital assets included the purchase of vehicles, recreation lighting, various roof repairs, and improvements to the GATE Center. The County's investment in capital assets for its business-type activities as of June 30, 2020 amounts to \$2,103,530 (net of accumulated depreciation). Additional information on the County of Grayson's capital assets can be found in Note 16 of this report.

Long-term debt

The outstanding debt for governmental activities at June 30, 2020 is as follows:

	(As Restated)			
	Balance			Balance
	July 1, 2019	Issuances	Retirements	June 30, 2020
General obligation bonds	\$ 13,569,311	\$ -	\$ (773,719)	\$ 12,795,592
Premium on bond	846,129	-	(177,121)	669,008
Note Payable	45,749	-	(4,482)	41,267
Capital lease	190,037	676,356	(212,327)	654,066
Net pension liability (ERIP)	358,300	61,800	(2,900)	417,200
Net OPEB obligation	752,550	161,688	(104,503)	809,735
Compensated absences	678,209	518,580	(508,657)	688,132
Net pension liability	4,361,900	3,248,491	(2,060,130)	5,550,261
Total	\$ 20,802,185	\$ 4,666,915	\$ (3,843,839)	\$ 21,625,261

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

	Balance			Balance
	July 1, 2019	Issuances	Retirements	June 30, 2020
Revenue and GO bonds	\$ 23,097		\$ (4,086)	\$ 19,011
Net OPEB Liabilities	5,807	2,985	(949)	7,843
Net Pension Liability (VRS)	33,657	33,994	(18,208)	49,443
Total	\$ 62,561	\$ 36,979	\$ (23,243)	\$ 76,297

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020 (CONTINUED)

Economic Factors

The unemployment rate for the County of Grayson, Virginia was on average 4.5% for fiscal year 2020. This is slightly above the state's average unemployment rate of 4.4% and below the national average rate of 6.0%.

Request for Information

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

Basic Financial Statements

County of Grayson, Virginia
Statement of Net Position
June 30, 2020

	Primary Government			Component
	Governmental	Business-type	Total	Unit
	Activities	Activities		School Board
ASSETS				
Cash and cash equivalents	\$ 6,984,108	\$ 83,097	\$ 7,067,205	\$ 817,680
Restricted cash and cash equivalents - customers' deposits	-	29,440	29,440	-
Investments	1,274,768	30,618	1,305,386	-
Receivables (net of allowance for uncollectibles):				
Taxes receivable	13,312,193	-	13,312,193	-
Accounts receivable	744,497	37,407	781,904	43,672
Notes receivable	139,592	-	139,592	-
Interest receivable	-	-	-	-
Internal balances	500	(500)	-	-
Due from other governmental units	851,905	-	851,905	832,039
Prepaid items	83,586	3,613	87,199	130,727
Capital assets (net of accumulated depreciation):				
Land	911,038	10,648	921,686	142,233
Buildings, improvements, and systems	20,148,850	-	20,148,850	1,973,383
Machinery and equipment	1,408,590	14,421	1,423,011	1,377,654
Infrastructure	-	2,078,461	2,078,461	-
Construction in progress	831,051	-	831,051	360,956
Total assets	\$ 46,690,678	\$ 2,287,205	\$ 48,977,883	\$ 5,678,344
DEFERRED OUTFLOWS OF RESOURCES				
Pension related items	\$ 1,564,472	\$ 28,127	\$ 1,592,599	\$ 3,150,312
OPEB related items	103,197	981	104,178	483,122
Total deferred outflows of resources	\$ 1,667,669	\$ 29,108	\$ 1,696,777	\$ 3,633,434
LIABILITIES				
Accounts payable	\$ 448,747	\$ 6,250	\$ 454,997	\$ 110,848
Accrued salaries	156,709	4,551	161,260	805,446
Customers' deposits	-	29,440	29,440	-
Accrued interest payable	165,025	-	165,025	-
Unearned grant revenue - COVID-19	1,226,408	-	1,226,408	-
Long-term liabilities:				
Due within one year	1,403,409	4,113	1,407,522	257,576
Due in more than one year	20,221,852	72,184	20,294,036	17,547,712
Total liabilities	\$ 23,622,150	\$ 116,538	\$ 23,738,688	\$ 18,721,582
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue - property taxes	\$ 9,983,721	\$ -	\$ 9,983,721	\$ -
Pension related items	421,151	4,886	426,037	2,779,501
OPEB related items	132,759	1,332	134,091	293,313
Total deferred inflows of resources	\$ 10,537,631	\$ 6,218	\$ 10,543,849	\$ 3,072,814
NET POSITION				
Net investment in capital assets	\$ 9,079,596	\$ 2,084,519	\$ 11,164,115	\$ 3,839,668
Restricted:				
DARE	345	-	345	-
CDBG	13,265	-	13,265	-
Special Law Enforcement	116,508	-	116,508	-
School Nutrition	-	-	-	44,608
Unrestricted (deficit)	4,988,852	109,038	5,097,890	(16,366,894)
Total net position	\$ 14,198,566	\$ 2,193,557	\$ 16,392,123	\$ (12,482,618)

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, 2020

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating		Primary Government		Component Unit	
			Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities		Total
PRIMARY GOVERNMENT:								
Governmental activities:								
General government administration	\$ 1,777,753	\$ 57,495	\$ 234,844	\$ -	\$ (1,485,414)	\$ -	\$ (1,485,414)	\$ -
Judicial administration	990,449	30,033	690,283	-	(270,133)	-	(270,133)	-
Public safety	4,122,541	67,555	1,444,070	-	(2,610,916)	-	(2,610,916)	-
Public works	2,102,385	2,025,393	5,676	-	(71,316)	-	(71,316)	-
Health and welfare	3,780,733	-	2,948,821	-	(831,912)	-	(831,912)	-
Education	6,102,480	-	-	-	(6,102,480)	-	(6,102,480)	-
Parks, recreation, and cultural	407,788	28,914	4,500	9,883	(364,491)	-	(364,491)	-
Community development	817,271	-	189,065	-	(628,206)	-	(628,206)	-
Interest on long-term debt	390,591	-	-	-	(390,591)	-	(390,591)	-
Total governmental activities	\$ 20,491,991	\$ 2,209,390	\$ 5,517,259	\$ 9,883	\$ (12,755,459)	\$ -	\$ (12,755,459)	\$ -
Business-type activities:								
Public Service Authority	\$ 331,640	\$ 225,262	\$ -	\$ 15,000	\$ -	\$ (91,378)	\$ (91,378)	\$ -
Total primary government	\$ 20,823,631	\$ 2,434,652	\$ 5,517,259	\$ 24,883	\$ (12,755,459)	\$ (91,378)	\$ (12,846,837)	\$ -
COMPONENT UNIT:								
School Board	\$ 19,679,342	\$ 163,572	\$ 13,923,641	\$ -	\$ -	\$ -	\$ -	\$ (5,592,129)
Total component unit	\$ 19,679,342	\$ 163,572	\$ 13,923,641	\$ -	\$ -	\$ -	\$ -	\$ (5,592,129)
General revenues:								
General property taxes					\$ 12,333,841	\$ -	\$ 12,333,841	\$ -
Other local taxes:								
Local sales and use taxes					564,237	-	564,237	-
Consumers' utility taxes					344,259	-	344,259	-
Motor vehicle licenses					347,793	-	347,793	-
Other local taxes					201,124	-	201,124	-
Unrestricted revenues from use of money and property					108,057	-	108,057	8,800
Miscellaneous					204,105	-	204,105	109,826
Payment from Grayson County					-	-	-	5,630,002
Grants and contributions not restricted to specific programs					883,902	-	883,902	-
Total general revenues					\$ 14,987,318	\$ -	\$ 14,987,318	\$ 5,748,628
Change in net position					\$ 2,231,859	\$ (91,378)	\$ 2,140,481	\$ 156,499
Net position - beginning, as restated					11,966,707	2,284,935	14,251,642	(12,639,117)
Net position - ending					\$ 14,198,566	\$ 2,193,557	\$ 16,392,123	\$ (12,482,618)

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

County of Grayson, Virginia
Balance Sheet
Governmental Funds
June 30, 2020

	<u>General</u>	<u>Economic Development</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 6,914,309	\$ 3,046	\$ 6,917,355
Investments	449,482	715,637	1,165,119
Receivables (net of allowance for uncollectibles):			
Taxes receivable	13,312,193	-	13,312,193
Accounts receivable	744,497	-	744,497
Notes receivable	71,421	68,171	139,592
Due from other funds	500	-	500
Due from other governmental units	851,905	-	851,905
Prepaid items	83,386	-	83,386
Total assets	<u>\$ 22,427,693</u>	<u>\$ 786,854</u>	<u>\$ 23,214,547</u>
LIABILITIES			
Accounts payable	\$ 448,747	\$ -	\$ 448,747
Accrued liabilities	156,709	-	156,709
Unearned grant revenue - COVID-19	1,226,408	-	1,226,408
Total liabilities	<u>\$ 1,831,864</u>	<u>\$ -</u>	<u>\$ 1,831,864</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - prepaid taxes	\$ 74,825	\$ -	\$ 74,825
Unavailable revenue - property taxes	11,853,866	-	11,853,866
Total deferred inflows of resources	<u>\$ 11,928,691</u>	<u>\$ -</u>	<u>\$ 11,928,691</u>
FUND BALANCES			
Nonspendable:			
Prepaid items	\$ 83,386	\$ -	\$ 83,386
Long-term note receivable	62,121	-	62,121
Restricted:			
DARE	345	-	345
CDBG Program Income	13,265	-	13,265
Special Law Enforcement	116,508	-	116,508
Committed:			
Law Library	5,783	-	5,783
Courthouse Security	15,266	-	15,266
Courthouse Maintenance	6,648	-	6,648
School Capital Improvements	215,627	-	215,627
Broadband	333,864	-	333,864
Economic Development	399,387	786,854	1,186,241
Assigned:			
Reassessment	106,000	-	106,000
Capital Improvements	613,405	-	613,405
Sheriff	19,461	-	19,461
Treasurer	39,382	-	39,382
Unassigned	6,636,690	-	6,636,690
Total fund balances	<u>\$ 8,667,138</u>	<u>\$ 786,854</u>	<u>\$ 9,453,992</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 22,427,693</u>	<u>\$ 786,854</u>	<u>\$ 23,214,547</u>

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

County of Grayson, Virginia
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
June 30, 2020

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	9,453,992
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land	\$ 911,038	
Buildings and system	20,148,850	
Machinery and equipment	1,408,590	
Construction in progress	<u>831,051</u>	23,299,529

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

Unavailable revenue - property taxes		1,944,970
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Internal service funds are used by management to charge the costs of certain activities, such as self insured health insurance plan, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.

176,602

Deferred outflows of resources are not available to pay for current period expenditures and, therefore, are not reported in the funds.

Pension related items	\$ 1,564,472	
OPEB related items	<u>103,197</u>	1,667,669

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

General obligation bonds	\$ (12,795,592)	
Premium on bond issuance	(669,008)	
Note payable	(41,267)	
Capital lease	(654,066)	
Accrued interest payable	(165,025)	
Net OPEB liabilities	(809,735)	
Compensated absences	(688,132)	
Net pension liability - ERIP	(417,200)	
Net pension liability - VRS	<u>(5,550,261)</u>	(21,790,286)

Deferred inflows of resources are not due and payable for current period and, therefore, are not reported in the funds.

Pension related items	\$ (421,151)	
OPEB related items	<u>(132,759)</u>	(553,910)

Net position of governmental activities	\$	<u><u>14,198,566</u></u>
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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, 2020

	<u>General</u>	<u>Economic Development</u>	<u>Total</u>
REVENUES			
General property taxes	\$ 11,887,949	\$ -	\$ 11,887,949
Other local taxes	1,457,413	-	1,457,413
Permits, privilege fees, and regulatory licenses	59,220	-	59,220
Fines and forfeitures	13,445	-	13,445
Revenue from the use of money and property	60,937	47,120	108,057
Charges for services	2,136,725	-	2,136,725
Miscellaneous	182,265	21,840	204,105
Recovered costs	409,966	-	409,966
Intergovernmental:			
Commonwealth	4,639,351	-	4,639,351
Federal	1,771,693	-	1,771,693
Total revenues	<u>\$ 22,618,964</u>	<u>\$ 68,960</u>	<u>\$ 22,687,924</u>
EXPENDITURES			
Current:			
General government administration	\$ 1,610,789	\$ -	\$ 1,610,789
Judicial administration	1,000,097	-	1,000,097
Public safety	4,375,698	-	4,375,698
Public works	1,839,264	-	1,839,264
Health and welfare	3,735,016	-	3,735,016
Education	5,484,835	-	5,484,835
Parks, recreation, and cultural	461,907	-	461,907
Community development	735,634	21,840	757,474
Capital projects	1,129,700	-	1,129,700
Debt service:			
Principal retirement	990,528	-	990,528
Interest and other fiscal charges	464,044	-	464,044
Total expenditures	<u>\$ 21,827,512</u>	<u>\$ 21,840</u>	<u>\$ 21,849,352</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 791,452</u>	<u>\$ 47,120</u>	<u>\$ 838,572</u>
OTHER FINANCING SOURCES (USES)			
Issuance of capital leases	\$ 676,356	\$ -	\$ 676,356
Net change in fund balances	\$ 1,467,808	\$ 47,120	\$ 1,514,928
Fund balances - beginning	7,199,330	739,734	7,939,064
Fund balances - ending	<u>\$ 8,667,138</u>	<u>\$ 786,854</u>	<u>\$ 9,453,992</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, 2020

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

Net change in fund balances - total governmental funds \$ 1,514,928

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 depreciation exceeded capital outlay in the current period.

Capital outlay	\$ 1,289,137	
Depreciation expense	<u>(1,213,364)</u>	75,773

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase (decrease) net position. (7,889)

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

Change in unavailable revenue - property taxes	445,892
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The issuance of long-term obligations (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term obligations and related items.

Debt issued or incurred:		
Issuance of capital lease	\$ (676,356)	
Principal repayments:		
General obligation bonds	773,719	
Note payable	4,482	
Capital lease	<u>212,327</u>	314,172

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.

Change in compensated absences	\$ (9,923)	
Change in accrued interest payable	(103,668)	
Amortization of bond premium	177,121	
Change in net pension liability and related deferred items - ERIP	(38,500)	
Change in net pension liability and related deferred items - VRS	(145,153)	
Change in net OPEB liability and related deferred items	<u>2,866</u>	(117,257)

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.

6,240

Change in net position of governmental activities	<u>\$ 2,231,859</u>
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The notes to the financial statements are an integral part of this statement.

County of Grayson, Virginia
Statement of Net Position
Proprietary Funds
June 30, 2020

	Enterprise Fund Public Service Authority	Internal Service Fund
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 83,097	\$ 66,753
Restricted cash and cash equivalents - customers' deposits	29,440	-
Investments	30,618	109,649
Accounts receivables, net of allowance for uncollectibles	37,407	-
Prepaid expenses	3,613	200
Total current assets	<u>\$ 184,175</u>	<u>\$ 176,602</u>
Capital assets:		
Land	\$ 10,648	\$ -
Machinery and equipment	50,336	-
Infrastructure	3,674,073	-
Accumulated depreciation	(1,631,527)	-
Total capital assets	<u>\$ 2,103,530</u>	<u>\$ -</u>
Total assets	<u>\$ 2,287,705</u>	<u>\$ 176,602</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension related items	\$ 28,127	\$ -
OPEB related items	981	-
Total deferred outflows of resources	<u>\$ 29,108</u>	<u>\$ -</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 6,250	\$ -
Accrued liabilities	4,551	-
Customers' deposits	29,440	-
Due to other funds	500	-
Bonds payable - current portion	4,113	-
Total current liabilities	<u>\$ 44,854</u>	<u>\$ -</u>
Noncurrent liabilities:		
Bonds payable - net of current portion	\$ 14,898	\$ -
Net pension liability	49,443	-
Net OPEB liabilities	7,843	-
Total noncurrent liabilities	<u>\$ 72,184</u>	<u>\$ -</u>
Total liabilities	<u>\$ 117,038</u>	<u>\$ -</u>
DEFERRED INFLOWS OF RESOURCES		
Pension related items	\$ 4,886	\$ -
OPEB related items	1,332	-
Total deferred inflows of resources	<u>\$ 6,218</u>	<u>\$ -</u>
NET POSITION		
Net investment in capital assets	\$ 2,084,519	\$ -
Unrestricted	109,038	176,602
Total net position	<u>\$ 2,193,557</u>	<u>\$ 176,602</u>

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

County of Grayson, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2020

	Enterprise Fund Public Service Authority	Internal Service Fund
OPERATING REVENUES		
Charges for services:		
Water revenues	\$ 225,262	\$ -
Insurance premiums	-	30,224
Total operating revenues	<u>\$ 225,262</u>	<u>\$ 30,224</u>
OPERATING EXPENSES		
Salaries and wages	\$ 67,144	\$ -
Employee benefits	22,330	-
Utilities	7,265	-
Professional services	40,136	-
Purchase of water	72,282	-
Materials and supplies	19,587	-
Travel	848	-
Maintenance services	2,809	-
Insurance claims and expenses	-	25,688
Miscellaneous	1,345	-
Depreciation	97,106	-
Total operating expenses	<u>\$ 330,852</u>	<u>\$ 25,688</u>
Operating income (loss)	<u>\$ (105,590)</u>	<u>\$ 4,536</u>
NONOPERATING REVENUES (EXPENSES)		
Investment income	\$ -	\$ 1,704
Interest expense	(788)	-
Total nonoperating revenues (expenses)	<u>\$ (788)</u>	<u>\$ 1,704</u>
Income before capital contributions and grants	<u>\$ (106,378)</u>	<u>\$ 6,240</u>
Capital contributions and grants	<u>\$ 15,000</u>	<u>\$ -</u>
Change in net position	<u>\$ (91,378)</u>	<u>\$ 6,240</u>
Total net position - beginning	2,284,935	170,362
Total net position - ending	<u><u>\$ 2,193,557</u></u>	<u><u>\$ 176,602</u></u>

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

County of Grayson, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2020

	Enterprise Fund Public Service <u>Authority</u>	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 225,517	\$ -
Receipts for insurance premiums	-	30,224
Payments to suppliers	(162,846)	-
Payments to and for employees	(71,711)	-
Payments for insurance premiums	-	(25,688)
Net cash provided by (used for) operating activities	<u>\$ (9,040)</u>	<u>\$ 4,536</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal payments on bonds	\$ (4,086)	\$ -
Contributions in aid of construction	15,000	-
Interest payments	(831)	-
Net cash provided by (used for) capital and related financing activities	<u>\$ 10,083</u>	<u>\$ -</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends received	\$ -	\$ 1,704
Net cash provided by (used for) investing activities	<u>\$ -</u>	<u>\$ 1,704</u>
Net increase (decrease) in cash and cash equivalents	\$ 1,043	\$ 6,240
Cash and cash equivalents - beginning (includes investments of \$129,478 and restricted cash and cash equivalents of \$27,778)	142,112	170,162
Cash and cash equivalents - ending (includes investments of \$140,267 and restricted cash and cash equivalents of \$33,991)	<u>\$ 143,155</u>	<u>\$ 176,402</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ (105,590)	\$ 4,536
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:		
Depreciation	\$ 97,106	\$ -
(Increase) decrease in accounts receivable	(1,407)	-
(Increase) decrease in prepaid expenses	(3,012)	-
Increase (decrease) in accounts payable	(15,562)	-
Increase (decrease) in accrued payroll	4,551	-
Increase (decrease) in customer deposits	1,662	-
Increase (decrease) in net pension liability	15,786	-
Increase (decrease) in net OPEB liabilities	2,036	-
Increase (decrease) in deferred inflows	(3,892)	-
(Increase) decrease in deferred outflows	(718)	-
Total adjustments	<u>\$ 96,550</u>	<u>\$ -</u>
Net cash provided by (used for) operating activities	<u>\$ (9,040)</u>	<u>\$ 4,536</u>

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

County of Grayson, Virginia
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2020

	Employee Early Retirement Incentive <u>Plan Trust</u>	Agency <u>Funds</u>
ASSETS		
Cash and cash equivalents	\$ -	\$ 448,435
Investments	35,047	52,627
Total assets	<u>\$ 35,047</u>	<u>\$ 501,062</u>
LIABILITIES		
Amounts held for social services clients	\$ -	\$ 9,654
Amounts held for subsequent remittance to State for surcharge	-	432
Amounts held for Mt. Rogers Alcohol Safety Action Program	-	234,886
Amounts held for Grayson Regional Library	-	256,090
Total liabilities	<u>\$ -</u>	<u>\$ 501,062</u>
NET POSITION		
Held in trust for retirement plan	<u>\$ 35,047</u>	

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

County of Grayson, Virginia
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2020

	Employee Early Retirement Incentive <u>Plan Trust</u>
ADDITIONS	
Investment earnings:	
Interest	\$ 993
Net increase in the fair market value of investments	1,781
Total investment earnings	<u>\$ 2,774</u>
Total additions	<u>\$ 2,774</u>
 DEDUCTIONS	
Benefits	\$ 12,206
Administrative expenses	2,024
Total deductions	<u>\$ 14,230</u>
 Change in net position	 \$ (11,456)
 Net position - beginning	 <u>46,503</u>
Net position - ending	<u><u>\$ 35,047</u></u>

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

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 1-Summary of Significant Accounting Policies:

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

A. Financial Reporting Entity

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

Blended component units -

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

The Grayson County Public Service Authority (“the PSA”) is a blended component unit of the County. The PSA is fiscally dependent upon the County. In addition, the County Board appoints the Authority’s Board.

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

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

Related Organizations - The County has no related organizations.

Jointly Governed Organizations:

1. The County, along with the Counties of Wythe, Bland, Carroll, and Smyth and the City of Galax, participates in supporting the Mount Rogers Community Services Board. For the fiscal year ended June 30, 2020, the County contributed \$41,200.
2. The County, along with the County of Wythe, participates in supporting the Wythe/Grayson Regional Library. For the fiscal year ended June 30, 2020, the County contributed \$324,455.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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

A. Financial Reporting Entity (Continued)

Jointly Governed Organizations: (Continued)

3. The County, along with the County of Carroll and the City of Galax, participates in the Carroll-Grayson-Galax Solid Waste Authority. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. Operating expenses of the Authority are offset by user fees and no local contribution was required of the County for the fiscal year ended June 30, 2020.
4. The County, along with the City of Galax, participates in supporting the Galax-Grayson Emergency Medical Service. Each locality appoints two members to the Service's Board. The Service bills the County and the City of Galax for locality funding, based on year to date revenue and expenses. For the fiscal year ended June 30, 2020, the County contributed \$53,522.
5. The County, along with the County of Carroll and the City of Galax, participates in supporting the Twin Counties E-911 Program. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. For the fiscal year ended June 30, 2020, the County contributed \$187,120.
6. The County, along with the County of Carroll and the City of Galax, participates in The Twin County Airport Commission. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. The Commission is charged with operating the Twin County Regional Airport. For the fiscal year ended June 30, 2020, the County contributed \$56,320.
7. Blue Ridge Crossroads Economic Development Authority (BRCEDA) is the regional industrial facilities authority that represents the County, along with the County of Carroll and the City of Galax. Each jurisdiction appoints two members and an alternate member. A moral obligation for debt service is currently in place for a regional project known as Wildwood. Contributions to BRCEDA during the current year were \$142,331. It is the hope of BRCEDA that this park project will be a catalyst for economic development in the region.

B. Government-wide and fund financial statements

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

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

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

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

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

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

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

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

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

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

The County reports the following major governmental funds:

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

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

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

The County reports the following major proprietary funds:

The County's blended Public Service Authority (PSA) operates a water distribution system and activities of the PSA are accounted for in this fund.

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

Additionally, the County reports the following fund types:

Fiduciary funds (Trust and Agency Funds) account for assets held by the government in a trustee capacity or as agent or custodian for individuals, private organizations, other governmental units, or other funds. Agency funds include the Special Welfare, Building Code, ASAP, and Regional Library funds. The County also operates a trust fund for the Employee Early Retirement Incentive Program.

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

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

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

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

1. Cash and Cash Equivalents and Investments

Cash and cash equivalents include cash on hand, amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government. For purposes of the statement of cash flows, the government's proprietary funds consider their demand deposits and all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

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

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

1. Cash and Cash Equivalents and Investments (continued)

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit, and other nonparticipating investments, and external investment pools are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year end.

2. Receivables and payables

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

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 June 5th. The County bills and collects its own property taxes. The 2020 personal property due date was extended to August 15th as a result of the impacts of COVID-19.

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 \$182,837 at June 30, 2020 and is comprised \$167,878 of property taxes, \$2,940 of water billings, and \$12,019 for solid waste billings.

5. Use of Estimates

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

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

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

6. Capital assets

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

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life is not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

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

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure/expense) until then. The County has one item that qualifies for reporting in this category. It is comprised of certain items related to the measurement of the net pension and net OPEB liabilities and contributions to the pension and OPEB plans made during the current year and subsequent to the net pension liability and net OPEB liabilities measurement date. For more detailed information on these items, reference the related notes.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

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

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

7. Deferred Outflows/Inflows of Resources (Continued)

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

8. Compensated Absences

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

9. Pensions

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

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

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

10. Other Postemployment Benefits (OPEB)

For purposes of measuring the net VRS related OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the VRS GLI and Teacher HIC OPEB Plans and the additions to/deductions from the VRS OPEB Plans' net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

In addition to the OPEB programs managed by VRS, the County and School Board have an OPEB plan related to the implicit rate subsidy of their respective health insurance plans. The County and School Board allow retirees to stay on their health insurance after employment terminates generating a liability for same.

11. Long-term obligations

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

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

12. Fund Balance

The County reports fund balance in accordance current accounting standards. The County evaluated its funds at year-end and classified fund balance into the following five classifications to describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

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

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

12. Fund Balance (Continued)

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

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

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

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

13. Net Position

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

14. Net Position Flow Assumption

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

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 2-Stewardship, Compliance, and Accountability:

A. Budgetary information

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

1. Prior to April 1st, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them. The following funds have legally adopted budgets: General Fund, Economic Development, and the School Operating Fund.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the function level. Only the Board of Supervisors can revise the appropriation for each department or category. The County Administrator is authorized to transfer budgeted amounts within general government departments; however, the School Board is authorized to transfer budgeted amounts within the school system's categories.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds. The School Fund is integrated only at the level of legal adoption.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all County units. The County's practice is to appropriate Capital Projects by Project. Several supplemental appropriations were necessary during this fiscal year.
8. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to commit that portion of the applicable appropriations, is not part of the County's accounting system.

B. Excess of expenditures over appropriations

For fiscal year ended June 30, 2020, the Department of Social Services had expenditures in excess of appropriations.

C. Deficit fund balance

At June 30, 2020, there were no funds with deficit fund balances.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 3-Deposits and Investments:

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

Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper that has received at least two of the following ratings: P-1 by Moody's Investors Service, Inc.; A-1 by Standard and Poor's; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County's investments at June 30, 2020 were held in the County's name by the County's custodial bank.

Credit Risk of Debt Securities: The County has adopted an investment policy for credit risk.

The County's rated debt investments as of June 30, 2020 were rated by Standard and Poor's and/or an equivalent national rating organization and the ratings are presented below using the Standard and Poor's rating scale.

County's Rated Debt Investments' Values

Rated Debt Investments	Fair Quality Ratings		
	AAAm	Unrated	Total
Local Government Investment Pool (LGIP)	\$ 1,358,013	\$ -	\$ 1,358,013
Money Market Funds	1,571	-	1,571
Exchange Traded Fund (ETF)	-	33,476	33,476
Total	<u>\$ 1,359,584</u>	<u>\$ 33,476</u>	<u>\$ 1,393,060</u>

Concentration of Credit Risk: At June 30, 2020, the County did not have any investments meeting the definition requiring concentration of credit risk disclosures that exceeded 5% of total investments.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 3-Deposits and Investments: (Continued)

Interest Rate Risk:

Investment Maturities (in years)		
Investment Type	Fair Value	Less than 1 year
Local Government Investment Pool (LGIP)	\$ 1,358,013	\$ 1,358,013
Money Market Funds	1,571	1,571
Exchange Traded Fund (ETF)	33,476	33,476
Total	<u>\$ 1,393,060</u>	<u>\$ 1,393,060</u>

External Investment Pools: The fair value of the positions in the external investment pool (Local Government Investment Pool (LGIP)) is the same as the value of the pool shares. As this pool is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP is an amortized cost basis portfolio. There are no withdrawal limitations or restrictions imposed on participants.

Note 4-Fair Value Measurements:

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

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

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

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 4-Fair Value Measurements: (Continued)

The County has the following recurring fair value measurements as of June 30, 2020:

		Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment	6/30/2020			
Exchange Traded Fund (ETF)	\$ 33,476	\$ 33,476	\$ -	\$ -
Money Market Funds	1,571	1,571	-	-
Total	<u>\$ 35,047</u>	<u>\$ 35,047</u>	<u>\$ -</u>	<u>\$ -</u>

Note 5-Due from Other Governmental Units:

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

	Primary Government	Component Unit School Board
<u>Commonwealth of Virginia:</u>		
Local sales tax	\$ 106,762	\$ -
Communications tax	51,768	-
State sales tax	-	276,817
Shared costs	153,411	-
Categorical aid	139,801	206,000
Noncategorical aid	1,403	-
Virginia public assistance funds	63,848	-
Children's services act	205,674	-
<u>Federal Government:</u>		
Virginia public assistance funds	101,814	-
Categorical aid	<u>27,424</u>	<u>349,222</u>
Totals	<u>\$ 851,905</u>	<u>\$ 832,039</u>

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

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

Interfund balances for the fiscal year ended June 30, 2020 consisted of the following:

<u>Fund</u>	<u>Due to</u>	<u>Due from</u>
Primary Government:		
General Fund	\$ 500	\$ -
Blended PSA Fund	-	500
Total	<u>\$ 500</u>	<u>\$ 500</u>

Note 7-Long-Term Obligations:

Primary Government - Governmental Activities Obligations:

The following is a summary of long-term obligations transactions of the County for the year ended June 30, 2020:

	(As Restated)			
	Beginning			Ending
	Balance	Increases/	Decreases/	Balance
	July 1, 2019	Issuances	Retirements	June 30, 2020
Direct borrowings and direct placements:				
General obligation bonds	\$ 13,569,311	\$ -	\$ (773,719)	\$ 12,795,592
Premium on bond	846,129	-	(177,121)	669,008
Note payable	45,749	-	(4,482)	41,267
Capital lease	190,037	676,356	(212,327)	654,066
Net pension liability (ERIP)	358,300	61,800	(2,900)	417,200
Compensated absences	678,209	518,580	(508,657)	688,132
Net pension liability (VRS)	4,361,900	3,248,491	(2,060,130)	5,550,261
Net OPEB liabilities	752,550	161,688	(104,503)	809,735
Total	<u>\$ 20,802,185</u>	<u>\$ 4,666,915</u>	<u>\$ (3,843,839)</u>	<u>\$ 21,625,261</u>

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 7-Long-Term Obligations: (Continued)

Primary Government - Governmental Activities Obligations: (Continued)

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

Year Ending June 30,	Direct Borrowings and Direct Placements			
	General Obligation Bonds		Note Payable	
	Principal	Interest	Principal	Interest
2021	\$ 640,000	\$ 432,527	\$ 4,619	\$ 1,175
2022	753,218	500,202	4,759	1,034
2023	789,187	461,215	4,904	890
2024	830,116	420,498	5,053	740
2025	866,048	377,947	5,207	587
2026-2030	4,612,023	1,236,994	16,725	791
2031-2035	4,305,000	312,489	-	-
Totals	<u>\$12,795,592</u>	<u>\$ 3,741,872</u>	<u>\$ 41,267</u>	<u>\$ 5,217</u>

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

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COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 7-Long-Term Obligations: (Continued)

Primary Government - Governmental Activities Obligations: (Continued)

Details of long-term obligations:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Total Amount	Amount Due Within One Year
Direct Borrowings and Direct Placements:						
<i>General Obligation Bonds:</i>						
General obligation bonds - VPSA	5.10%	11/10/2005	2025	\$ 585,603	\$ 245,000	\$ -
General obligation bonds - VPSA	5.10%	11/10/2005	2025	995,000	175,592	-
General obligation bonds - VPSA	3.05%-5.05%	5/9/2013	2034	15,670,000	12,375,000	640,000
Subtotal					<u>\$ 12,795,592</u>	<u>\$ 640,000</u>
Premium on bond				\$ 2,157,388	\$ 669,008	\$ 153,975
Total general obligation bonds					<u>\$ 13,464,600</u>	<u>\$ 793,975</u>
<i>Notes Payable:</i>						
Note Payable	3.00%	5/17/2018	2028	\$ 50,000	\$ 41,267	\$ 4,619
Total direct borrowings and direct placements					<u>\$ 13,505,867</u>	<u>\$ 798,594</u>
Capital Leases:						
Capital lease - School Network	0.00%	6/1/2017	2023	\$ 332,565	\$ 142,528	\$ 47,509
Capital lease - School Buses	3.58%	7/30/2019	2026	453,066	288,248	-
Capital lease - County Rec. Lights	3.95%	9/2/2019	2025	223,290	223,290	41,207
Total capital leases					<u>\$ 654,066</u>	<u>\$ 88,716</u>
Other Obligations:						
Net pension liability (ERIP)					\$ 417,200	\$ -
Compensated absences					688,132	516,099
Net pension liability (VRS)					5,550,261	-
Net OPEB liabilities					809,735	-
Total other obligations					<u>\$ 7,465,328</u>	<u>\$ 516,099</u>
Total long-term obligations					<u>\$ 21,625,261</u>	<u>\$ 1,403,409</u>

Default Provisions:

The County's general obligation bonds are subject to the state aid intercept program. Under terms of the program, the County's State aid is redirected to bond holders to cure any event(s) of default.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 7-Long-Term Obligations: (Continued)

Primary Government - Business-type Activities Indebtedness:

The following is a summary of long-term obligations transactions of the Enterprise Fund for the year ended June 30, 2020:

	Beginning Balance July 1, 2019	Increases/ Issuances	Decreases/ Retirements	Ending Balance June 30, 2020
Direct borrowings and direct placements:				
Revenue Bond	\$ 23,097	\$ -	\$ (4,086)	\$ 19,011
Net pension liability (VRS)	33,657	33,994	(18,208)	49,443
Net OPEB liabilities	5,807	2,985	(949)	7,843
Total	\$ 62,561	\$ 36,979	\$ (23,243)	\$ 76,297

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

Year Ending June 30,	Direct Borrowings and Direct Placements	
	Revenue Bond	
	Principal	Interest
2021	\$ 4,113	\$ 804
2022	4,292	625
2023	4,478	439
2024	4,672	245
2025	1,456	52
Totals	\$ 19,011	\$ 2,165

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 7-Long-Term Obligations: (Continued)

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

Details of long-term indebtedness:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Total Amount	Amount Due Within One Year
Direct Borrowings and Direct Placements:						
<i>Revenue Bonds:</i>						
Water revenue bond	4.25%	2/5/2015	2025	\$ 40,000	\$ 19,011	\$ 4,113
Total revenue bonds					\$ 19,011	\$ 4,113
Total direct borrowings and direct placements					\$ 19,011	\$ 4,113
Other Obligations:						
Net pension liability (VRS)					\$ 49,443	\$ -
Net OPEB liabilities					7,843	-
Total other obligations					\$ 57,286	\$ -
Total long-term obligations					\$ 76,297	\$ 4,113

Discretely Presented Component Unit-School Board-Obligations:

The following is a summary of long-term obligation transactions of the Component-Unit School Board for the year ended June 30, 2020:

	Beginning Balance July 1, 2019	Increases/ Issuances	Decreases/ Retirements	Ending Balance June 30, 2020
Early retirement incentive plan	\$ 40,632	\$ -	\$ (25,804)	\$ 14,828
Compensated absences	309,989	246,167	(232,492)	323,664
Net pension liability (VRS)	13,230,209	5,781,382	(4,979,523)	14,032,068
Net OPEB liabilities	3,432,200	567,787	(565,259)	3,434,728
Total	\$ 17,013,030	\$ 6,595,336	\$ (5,803,078)	\$ 17,805,288

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 7-Long-Term Obligations: (Continued)

Discretely Presented Component Unit-School Board-Obligations: (Continued)

Details of long-term obligations:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<u>Other Obligations:</u>		
Early retirement incentive plan	\$ 14,828	\$ 14,828
Compensated absences	323,664	242,748
Net pension liability (VRS)	14,032,068	-
Net OPEB liabilities	<u>3,434,728</u>	<u>-</u>
Total long-term obligations	<u>\$ 17,805,288</u>	<u>\$ 257,576</u>

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COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 8-Capital Leases:

Primary Government:

The County has entered into lease agreement to finance a school network refresh, school buses, and lights for the County recreational fields. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of minimum lease payments at the date of inception.

The assets acquired through the capital lease is as follows:

	School Network Refresh	School Buses	County Rec. Lights	Total
Capital Assets	\$ 332,565	\$ 453,066	\$ 223,290	\$ 1,008,921
Less: Accumulated depreciation	(66,513)	(83,165)	(12,276)	(161,954)
Net capital assets	<u>\$ 266,052</u>	<u>\$ 369,901</u>	<u>\$ 211,014</u>	<u>\$ 846,967</u>

The future minimum lease obligation and the net present value of the minimum lease payments as of June 30, 2020, are as follows:

Year Ending June 30,	Capital Leases
2021	\$ 97,698
2022	186,620
2023	154,877
2024	107,368
2025	107,368
2026	57,179
Sub-total	<u>\$ 711,110</u>
Less: Amount representing interest	<u>(57,044)</u>
Present Value of Lease Agreements	<u>\$ 654,066</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 9-Pension Plan:

Plan Description

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

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

Benefit Structures

The System administers three different benefit structures for covered employees - Plan 1, Plan 2 and Hybrid. Each of these benefit structures has different eligibility criteria, as detailed below.

- a. Employees hired before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) 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. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.
- b. Employees hired on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013 are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age plus service credit equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. Hazardous duty employees 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. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 9—Pension Plan: (Continued)

Benefit Structures (Continued)

- c. Non-hazardous duty employees hired on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 - April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit, or when the sum of their age plus service credit equals 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

Average Final Compensation and Service Retirement Multiplier

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total service credit. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.70% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.70% or 1.85% for hazardous duty employees as elected by the employer. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.70% or 1.85% for hazardous duty employees as elected by the employer. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

Cost-of-Living Adjustment (COLA) in Retirement and Death and Disability Benefits

Retirees with an unreduced benefit or with a reduced benefit with at least 20 years of service credit are eligible for an annual COLA beginning July 1 after one full calendar year from the retirement date. Retirees with a reduced benefit and who have less than 20 years of service credit are eligible for an annual COLA beginning on July 1 after one calendar year following the unreduced retirement eligibility date. Under Plan 1, the COLA cannot exceed 5.00%. Under Plan 2 and the Hybrid Plan, the COLA cannot exceed 3.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia, as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 9—Pension Plan: (Continued)

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

The County’s contractually required employer contribution rate for the year ended June 30, 2020 was 14.61% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were \$685,929 and \$644,726 for the years ended June 30, 2020 and June 30, 2019, respectively.

Net Pension Liability

At June 30, 2020, the County reported a liability of \$5,599,704 for its proportionate share of the net pension liability. The County’s net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2018 and rolled forward to the measurement date of June 30, 2019. In order to allocate the net pension liability to all employers included in the plan, the County is required to determine its proportionate share of the net pension liability. Creditable compensation as of June 30, 2019 and 2018 was used as a basis for allocation to determine the County’s proportionate share of the net pension liability. At June 30, 2019 and 2018, the County’s proportion was 97.12% and 97.36%, respectively.

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the County of Grayson’s Retirement Plan and the Component Unit School Board’s (nonprofessional) Retirement Plan was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

Inflation	2.50%
Salary increases, including inflation	3.50% - 5.35%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation*

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 9—Pension Plan: (Continued)

Actuarial Assumptions - General Employees (Continued)

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

Mortality rates:

All Others (Non-10 Largest) - Non-Hazardous Duty: 15% of deaths are assumed to be service related
Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non 10 Largest) - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased from 7.00% to 6.75%

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 9—Pension Plan: (Continued)

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the County's Retirement Plan was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

Inflation	2.50%
Salary increases, including inflation	3.50% - 4.75%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

Mortality rates:

All Others (Non-10 Largest) - Hazardous Duty: 45% of deaths are assumed to be service related
Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 9—Pension Plan: (Continued)

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits (Continued)

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non-10 Largest) - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Long-Term Expected Rate of Return

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

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 9—Pension Plan: (Continued)

Long-Term Expected Rate of Return (Continued)

The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
Total	100.00%		5.13%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.63%

* The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 2.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expect long-term results of the VRS fund asset allocation.

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the County and Component Unit School Board (nonprofessional) was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2019, the alternate rate was the employer contribution rate used in FY2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 9—Pension Plan: (Continued)

Discount Rate (Continued)

Through the fiscal year ended June 30, 2019, the rate contributed by the school division for the VRS Teacher Retirement Plan was subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2019 on, participating employers and school divisions are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the County's proportionate share of the net pension liability using the discount rate of 6.75%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
	<u>(5.75%)</u>	<u>Discount Rate</u>	<u>(7.75%)</u>
		<u>(6.75%)</u>	
County's proportionate share of the			
County of Grayson's Retirement Plan			
Net Pension Liability (Asset)	\$ 8,502,799	\$ 5,599,704	\$ 3,272,690

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

For the year ended June 30, 2019, the County recognized pension expense of \$838,403. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

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COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 9—Pension Plan: (Continued)

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

At June 30, 2020, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 386,964	\$ 240,326
Change in assumptions	440,093	562
Net difference between projected and actual earnings on pension plan investments	-	164,659
Changes in proportion and differences between employer contributions and proportionate share of contributions	13,813	5,990
Employer contributions subsequent to the measurement date	685,929	-
Total	<u>\$ 1,526,799</u>	<u>\$ 411,537</u>

\$685,929 reported as deferred outflows of resources related to pensions resulting from the County's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year Ended June 30	Primary Government
2021	\$ 193,070
2022	184,860
2023	40,362
2024	11,041
2025	-
Thereafter	-

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 9—Pension Plan: (Continued)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2019-annual-report-pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Component Unit School Board (Nonprofessional)

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

Employees Covered by Benefit Terms

As of the June 30, 2018 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Component Unit School Board Nonprofessional
Inactive members or their beneficiaries currently receiving benefits	53
Inactive members:	
Vested inactive members	10
Non-vested inactive members	11
Inactive members active elsewhere in VRS	13
Total inactive members	34
Active members	57
Total covered employees	144

Contributions

The Component Unit School Board's contractually required employer contribution rate for nonprofessional employees for the year ended June 30, 2020 was 6.23% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 9—Pension Plan: (Continued)

Component Unit School Board (Nonprofessional) (Continued)

Contributions (Continued)

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Grayson County School Board's nonprofessional employees were \$50,066 and \$54,851 for the years ended June 30, 2020 and June 30, 2019, respectively.

Net Pension Liability

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. The Component Unit School Board's (nonprofessional) net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2018, rolled forward to the measurement date of June 30, 2019.

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COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 9—Pension Plan: (Continued)

Component Unit School Board (Nonprofessional) (Continued)

Changes in Net Pension Liability

	Component Unit - School Board (Nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2018	\$ 5,748,596	\$ 5,652,387	\$ 96,209
Changes for the year:			
Service cost	\$ 93,993	\$ -	\$ 93,993
Interest	390,004	-	390,004
Benefit changes	-	-	-
Differences between expected and actual experience	26,932	-	26,932
Assumption changes	147,687	-	147,687
Contributions - employer	-	54,911	(54,911)
Contributions - employee	-	44,052	(44,052)
Net investment income	-	367,479	(367,479)
Benefit payments, including refunds of employee contributions	(354,207)	(354,207)	-
Administrative expenses	-	(3,822)	3,822
Other changes	-	(230)	230
Net changes	\$ 304,409	\$ 108,183	\$ 196,226
Balances at June 30, 2019	\$ 6,053,005	\$ 5,760,570	\$ 292,435

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

The following presents the net pension liability of the Grayson County School Board (nonprofessional) using the discount rate of 6.75%, as well as what the Grayson County School Board's (nonprofessional) net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	Current		
	1% Decrease (5.75%)	Discount Rate (6.75%)	1% Increase (7.75%)
Component Unit School Board (Nonprofessional)			
Net Pension Liability (Asset)	\$ 942,168	\$ 292,435	\$ (234,640)

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 9—Pension Plan: (Continued)

Component Unit School Board (Nonprofessional) (Continued)

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

For the year ended June 30, 2020, the Component Unit School Board (nonprofessional) recognized pension expense of \$99,297. At June 30, 2020, the Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Component Unit-School Board (Nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 13,921	\$ 6,476
Change in assumptions	76,341	-
Net difference between projected and actual earnings on pension plan investments	-	50,920
Employer contributions subsequent to the measurement date	50,066	-
Total	\$ 140,328	\$ 57,396

\$50,066 reported as deferred outflows of resources related to pensions resulting from the Component Unit School Board's (nonprofessional) contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2021.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 9—Pension Plan: (Continued)

Component Unit School Board (Nonprofessional) (Continued)

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

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year Ended June 30</u>	<u>Component Unit School Board (Nonprofessional)</u>
2021	\$ 77,673
2022	(47,461)
2023	(1,167)
2024	3,821
2025	-
Thereafter	-

Component Unit School Board (Professional)

Plan Description

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

Additional information regarding the plan description is included in the first section of this note.

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each school division's contractually required employer contribution rate for the year ended June 30, 2020 was 15.68% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the school division were \$1,437,496 and \$1,332,964 for the years ended June 30, 2020 and June 30, 2019, respectively.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 9—Pension Plan: (Continued)

Component Unit School Board (Professional) (Continued)

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

At June 30, 2020, the school division reported a liability of \$13,739,633 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2019 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the school division's proportion was 0.10440% as compared to 0.11168% at June 30, 2018.

For the year ended June 30, 2020, the school division recognized pension expense of \$878,226. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2020, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Component Unit-School Board (Professional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 879,806
Change in assumptions	1,360,546	-
Net difference between projected and actual earnings on pension plan investments	-	301,690
Changes in proportion and differences between employer contributions and proportionate share of contributions	211,942	1,540,609
Employer contributions subsequent to the measurement date	<u>1,437,496</u>	<u>-</u>
Total	<u>\$ 3,009,984</u>	<u>\$ 2,722,105</u>

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 9—Pension Plan: (Continued)

Component Unit School Board (Professional) (Continued)

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

\$1,437,496 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30</u>	<u>Component Unit School Board (Professional)</u>
2021	\$ (578,914)
2022	(589,105)
2023	(48,371)
2024	32,991
2025	33,782
Thereafter	-

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

Inflation	2.50%
Salary increases, including inflation	3.50% - 5.95%
Investment rate of return	6.75% net of pension plan investment expenses, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 9—Pension Plan: (Continued)

Component Unit School Board (Professional) (Continued)

Actuarial Assumptions (Continued)

Mortality rates:

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 75 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 9—Pension Plan: (Continued)

Component Unit School Board (Professional) (Continued)

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2019, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

		Teacher Employee Retirement Plan
Total Pension Liability	\$	49,683,336
Plan Fiduciary Net Position		36,522,769
Employers' Net Pension Liability (Asset)	\$	<u>13,160,567</u>

Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.51%
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The total pension liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net pension liability is disclosed in accordance with the requirements of GASB Statement No. 67 in the System's notes to the financial statements and required supplementary information.

The long-term expected rate of return and discount rate information previously described also apply to this plan.

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

The following presents the school division's proportionate share of the net pension liability using the discount rate of 6.75%, as well as what the school division's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset)	\$ 20,684,117	\$ 13,739,633	\$ 7,997,831

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 9—Pension Plan: (Continued)

Component Unit School Board (Professional) (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 10—Aggregate Pension Information:

Primary Government and Component Unit School Board:

	Primary Government				Component Unit School Board			
	Deferred Outflows	Deferred Inflows	Net Pension Liability (Asset)	Pension Expense	Deferred Outflows	Deferred Inflows	Net Pension Liability (Asset)	Pension Expense
County ERI Plan:	\$ 65,800	\$ 14,500	\$ 417,200	\$ 38,500	\$ -	\$ -	\$ -	\$ -
VRS Pension Plans:								
Primary Government	1,526,799	411,537	5,599,704	838,403	-	-	-	-
School Board Nonprofessional	-	-	-	-	140,328	57,396	292,435	99,297
School Board Professional	-	-	-	-	3,009,984	2,722,105	13,739,633	878,226
Totals	<u>\$ 1,592,599</u>	<u>\$ 426,037</u>	<u>\$ 6,016,904</u>	<u>\$ 876,903</u>	<u>\$ 3,150,312</u>	<u>\$ 2,779,501</u>	<u>\$ 14,032,068</u>	<u>\$ 977,523</u>

Note 11—Health Insurance - Pay-as-you-Go (OPEB Plan):

Primary Government - County

Plan Description

The County administers a cost-sharing employer defined benefit healthcare plan, Grayson County Postemployment Healthcare Plan (The "Plan"). Several entities participate in the defined benefit healthcare plan through the County of Grayson, Virginia and the participating entities report their proportionate information on the basis of a cost-sharing plan. The plan provides postemployment healthcare benefits to all eligible permanent employees who meet the requirements under the County's pension plans. The plan does not issue a publicly available financial report.

Benefits Provided

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.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 11-Health Insurance - Pay-as-you-Go (OPEB Plan): (Continued)

Primary Government - County (Continued)

Contributions

The County does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the County. The amount paid by the County for OPEB as the benefits came due during the year ended June 30, 2020 was \$3,320.

Actuarial Assumptions

The total OPEB liability was measured July 1, 2019, based on the July 1, 2018 actuarial valuation, and was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	3.13%
Salary Scale	Future salaries are assumed to increase 2.50% annually
Healthcare Cost Trend Rate	6.50% for 2020, decreasing by 0.50% per year to an ultimate rate of 5.00%
Actuarial Cost Method	Entry Age Actuarial Cost Method
Participation	45% of active employees are assumed to elect coverage in retirement, 33% of their spouses are assumed to elect coverage in retirement; 100% of actives who become disabled are assumed to elect coverage

Mortality rates for Active employees and healthy retirees were based on a RP-2014 Mortality Table fully generational with base year 2006, projected using two-dimensional mortality improvement scale MP-2019.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.13% and represents the Municipal GO AA 20-year yield curve rate as of July 1, 2019.

Sensitivity of the Employer's Proportionate Share of the Total OPEB Liability to Changes in the Discount Rate

The following amounts present the total OPEB liability of the County, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.13%) or one percentage point higher (4.13%) than the current discount rate:

Discount Rate		
1% Decrease	Current	1% Increase
2.13%	3.13%	4.13%
\$ 491,001	\$ 447,936	\$ 409,167

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 11-Health Insurance - Pay-as-you-Go (OPEB Plan): (Continued)

Primary Government - County (Continued)

Sensitivity of the Employer's Proportionate Share of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following amounts present the total OPEB liability of the County, as well as what the total OPEB liability would be if it were calculated using healthcare trend rates that are one percentage point lower (5.50% decreasing by 0.50% annually to an ultimate rate of 4.00%) or one percentage point higher (7.50% decreasing by 0.50% annually to an ultimate rate of 6.00%) than the current healthcare trend rates:

Healthcare Cost Trend Rate		
1% Decrease (5.50% decreasing to 4.00%)	Current (6.50% decreasing to 5.00%)	1% Increase (7.50% decreasing to 6.00%)
\$ 394,031	\$ 447,936	\$ 511,899

Total OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2020, the County reported a liability of \$447,936 for its proportionate share of the total OPEB Liability. The total OPEB Liability was measured as of July 1, 2018 and determined by an actuarial valuation as of July 1, 2019. At June 30, 2020 and 2020, the County's proportion was 97.65% and 97.36%, respectively.

For the year ended June 30, 2020, the County recognized OPEB expense in the amount of \$18,456.

At June 30, 2020, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 101,657
Change in assumptions	15,625	5,273
Net difference between projected and actual earnings on OPEB plan investments	-	-
Employer contributions subsequent to the measurement date	3,320	-
Total	\$ 18,945	\$ 106,930

\$3,320 reported as deferred outflows of resources related to OPEB resulting from the County's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the fiscal year ending June 30, 2021.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 11-Health Insurance - Pay-as-you-Go (OPEB Plan): (Continued)

Primary Government - County (Continued)

Total OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended June 30</u>	<u>Primary Government</u>
2021	\$ (25,292)
2022	(25,292)
2023	(25,292)
2024	(15,527)
2025	98
Thereafter	-

Additional disclosures on changes in total OPEB liability, related ratios, and employer contributions can be found in the required supplementary information following the notes to the financial statements.

Discretely Presented Component Unit - School Board

Plan Description

In addition to the pension benefits described in Note 9, the School Board administers a single employer defined benefit healthcare plan, Grayson School Board Postemployment Healthcare Plan (The "Plan"). The plan provides postemployment healthcare benefits to all eligible permanent employees who meet the requirements under the School Board's pension plans. The plan does not issue a publicly available financial report.

Benefits Provided

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.

Additionally, the School Board had an Early Retirement Incentive Program that gave employees the option to retire at an earlier age with sufficient years of service. The program is no longer available, but benefits are still being paid.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 11-Health Insurance - Pay-as-you-Go (OPEB Plan): (Continued)

Discretely Presented Component Unit - School Board (Continued)

Plan Membership

At July 1, 2018 (valuation date), the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	17
Active employees	<u>267</u>
Total	284

Contributions

The School Board does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the Board. The amount paid by the School Board for OPEB as the benefits came due during the year ended June 30, 2020 was \$102,300.

Total OPEB Liability

The School Board's total OPEB liability was measured as of July 1, 2019. The measurement of the total OPEB liability is based on a valuation date of July 1, 2018.

Actuarial Assumptions

The total OPEB liability was measured July 1, 2019, based on the July 1, 2018 actuarial valuation, was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	3.13%
Salary Scale	Future salaries are assumed to increase 2.50% annually
Healthcare Cost Trend Rate	6.50% for 2020, decreasing by 0.50% per year to an ultimate rate of 5.00%
Actuarial Cost Method	Entry Age Actuarial Cost Method
Participation	40% of active employees are assumed to elect coverage in retirement, 20% of their spouses are assumed to elect coverage in retirement

Mortality rates for Active employees and healthy retirees were based on a RP-2014 Mortality Table fully generational with base year 2006, projected using two-dimensional mortality improvement scale MP-2019.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 11-Health Insurance - Pay-as-you-Go (OPEB Plan): (Continued)

Discretely Presented Component Unit - School Board (Continued)

Discount Rate

The discount rate used to measure the total OPEB liability was 3.13% and represents the Municipal GO AA 20-year yield curve rate as of July 1, 2019.

Changes in Total OPEB Liability

Balances at July 1, 2019	\$	1,230,200
Changes for the year:		
Service cost	\$	50,200
Interest		44,500
Difference between expected and actual experience		8,500
Contributions - employer		(102,300)
Other changes		45,800
Net changes	\$	<u>46,700</u>
Balances at June 30, 2020	\$	<u><u>1,276,900</u></u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following amounts present the total OPEB liability of the School Board, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.13%) or one percentage point higher (4.13%) than the current discount rate:

Discount Rate		
1% Decrease 2.13%	Current 3.13%	1% Increase 4.13%
\$ 1,377,600	\$ 1,276,900	\$ 1,183,800

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following amounts present the total OPEB liability of the School Board, as well as what the total OPEB liability would be if it were calculated using healthcare trend rates that are one percentage point lower or one percentage point higher than the current healthcare trend rates:

Healthcare Cost Trend Rate		
1% Decrease (5.50% decreasing to 4.00%)	Current (6.50% decreasing to 5.00%)	1% Increase (7.50% decreasing to 6.00%)
\$ 1,143,200	\$ 1,276,900	\$ 1,433,800

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 11-Health Insurance - Pay-as-you-Go (OPEB Plan): (Continued)

Discretely Presented Component Unit - School Board (Continued)

Total OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2020, the School Board recognized OPEB expense in the amount of \$91,400. At June 30, 2019, the School Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 7,100	\$ 4,900
Change in assumptions	38,100	61,100
Employer contributions subsequent to the measurement date	102,300	-
Total	<u>\$ 147,500</u>	<u>\$ 66,000</u>

\$102,300 reported as deferred outflows of resources related to OPEB resulting from the School Board's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended June 30</u>	<u>Component Unit School Board</u>
2021	\$ (7,500)
2022	(7,500)
2023	(7,500)
2024	(7,100)
2025	8,800
Thereafter	-

Additional disclosures on changes in total OPEB liability, related ratios, and employer contributions can be found in the required supplementary information following the notes to the financial statements.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 12-Group Life Insurance (GLI) Plan (OPEB Plan):

Plan Description

The Group Life Insurance (GLI) Plan was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS GLI Plan upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic GLI benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional GLI Plan. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured plan, it is not included as part of the GLI Plan OPEB.

The specific information for GLI OPEB, including eligibility, coverage and benefits is described below:

Eligible Employees

The GLI Plan was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the plan. Basic GLI coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

Benefit Amounts

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the plan provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of service credit, the minimum benefit payable was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,463 as of June 30, 2020.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 12-Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Contributions

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% ($1.31\% \times 60\%$) and the employer component was 0.52% ($1.31\% \times 40\%$). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2020 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability.

Contributions to the Group Life Insurance Plan from the County were \$24,889 and \$23,247 for the years ended June 30, 2020 and June 30, 2019, respectively.

Contributions to the Group Life Insurance Plan from the Component Unit School Board (nonprofessional) were \$4,514 and \$4,819 for the years ended June 30, 2020 and June 30, 2019, respectively.

Contributions to the Group Life Insurance Plan from the Component Unit School Board (professional) were \$49,036 and \$45,156 for the years ended June 30, 2020 and June 30, 2019, respectively.

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Plan OPEB

Primary Government

At June 30, 2020, the entity reported a liability of \$369,642 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2019 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Plan for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the participating employer's proportion was 0.02284% as compared to 0.02305% at June 30, 2018.

For the year ended June 30, 2020, the participating employer recognized GLI OPEB expense of \$10,993. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 12-Group Life Insurance (GLI) Plan (OPEB Plan): (continued)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Plan OPEB (continued)

Component Unit School Board (Nonprofessional)

At June 30, 2020, the entity reported a liability of \$77,295 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2019 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Plan for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the participating employer's proportion was 0.00475% as compared to 0.00503% at June 30, 2018.

For the year ended June 30, 2020, the participating employer recognized GLI OPEB expense of (\$770). Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

Component Unit School Board (Professional)

At June 30, 2020, the entity reported a liability of \$722,344 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2019 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Plan for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the participating employer's proportion was 0.04439% as compared to 0.04718% at June 30, 2018.

For the year ended June 30, 2020, the participating employer recognized GLI OPEB expense of \$10,774. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 12-Group Life Insurance (GLI) Plan (OPEB Plan): (continued)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Plan OPEB (continued)

At June 30, 2020, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Primary Government		Component Unit School Board (Nonprofessional)		Component Unit School Board (Professional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 24,583	\$ 4,795	\$ 5,141	\$ 1,002	\$ 48,040	\$ 9,369
Net difference between projected and actual earnings on GLI OPEB plan investments	-	7,593	-	1,588	-	14,838
Change in assumptions	23,337	11,146	4,880	2,331	45,605	21,782
Changes in proportion	12,424	3,627	-	11,876	13,180	49,434
Employer contributions subsequent to the measurement date	24,889	-	4,514	-	49,036	-
Total	\$ 85,233	\$ 27,161	\$ 14,535	\$ 16,797	\$ 155,861	\$ 95,423

\$24,889, \$4,514, and \$49,036 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30	Primary Government	Component Unit School Board (Nonprofessional)	Component Unit School Board (Professional)
2021	\$ 3,758	\$ (2,283)	\$ (3,363)
2022	3,758	(2,283)	(3,363)
2023	6,974	(1,611)	2,922
2024	9,190	(997)	6,557
2025	7,610	184	6,820
Thereafter	1,893	214	1,829

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 12-Group Life Insurance (GLI) Plan (OPEB Plan): (continued)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019. The assumptions include several employer groups as noted below. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

Inflation	2.50%
Salary increases, including inflation:	
Teachers	3.50%-5.95%
Locality - General employees	3.50%-5.35%
Locality - Hazardous Duty employees	3.50%-4.75%
Investment rate of return	6.75%, net of investment expenses, including inflation*

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of OPEB liabilities.

Mortality Rates - Teachers

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 12-Group Life Insurance (GLI) Plan (OPEB Plan): (continued)

Actuarial Assumptions (continued)

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

Mortality Rates - Non-Largest Ten Locality Employers - General Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 12-Group Life Insurance (GLI) Plan (OPEB Plan): (continued)

Actuarial Assumptions (continued)

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 12-Group Life Insurance (GLI) Plan (OPEB Plan): (continued)

Actuarial Assumptions (continued)

Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees: (Continued)

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Net GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Plan represents the plan's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2019, NOL amounts for the GLI Plan are as follows (amounts expressed in thousands):

		GLI OPEB Plan
Total GLI OPEB Liability	\$	3,390,238
Plan Fiduciary Net Position		1,762,972
GLI Net OPEB Liability (Asset)	\$	<u>1,627,266</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		52.00%

The total GLI OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net GLI OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020**Note 12-Group Life Insurance (GLI) Plan (OPEB Plan): (continued)*****Long-Term Expected Rate of Return***

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
Total	100.00%		5.13%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.63%

*The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 12-Group Life Insurance (GLI) Plan (OPEB Plan): (continued)

Discount Rate (continued)

Through the fiscal year ended June 30, 2019, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2019 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

Sensitivity of the Employer's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

The following presents the employer's proportionate share of the net GLI OPEB liability using the discount rate of 6.75%, as well as what the employer's proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
County's proportionate share of the GLI Plan Net OPEB Liability	\$ 485,607	\$ 369,642	\$ 275,598
Component Unit School Board's (Nonprofessional) proportionate share of the GLI Plan Net OPEB Liability	101,545	77,295	57,630
Component Unit School Board's (Professional) proportionate share of the GLI Plan Net OPEB Liability	948,960	722,344	538,565

GLI Program Fiduciary Net Position

Detailed information about the GLI Plan's Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 13-Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan):

Plan Description

The Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit (HIC) Plan was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Employee HIC Plan. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The HIC is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

The specific information for the Teacher HIC Program OPEB, including eligibility, coverage, and benefits is described below:

Eligible Employees

The Teacher Employee Retiree HIC Plan was established July 1, 1993 for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit. Eligible employees include full-time permanent (professional) salaried employees of public school divisions covered under VRS. These employees are enrolled automatically upon employment.

Benefit Amounts

The Teacher Employee HIC Plan is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired teachers. For Teacher and other professional school employees who retire with at least 15 years of service credit, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount. For Teacher and other professional school employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is either: \$4.00 per month, multiplied by twice the amount of service credit, or \$4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.

HIC Plan Notes

The monthly HIC benefit cannot exceed the individual premium amount. Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the HIC as a retiree.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 13-Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Contributions

The contribution requirements for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2020 was 1.20% of covered employee compensation for employees in the VRS Teacher Employee HIC Plan. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the school division to the VRS Teacher Employee HIC Plan were \$112,977 and \$104,204 for the years ended June 30, 2020 and June 30, 2019, respectively.

Teacher Employee HIC OPEB Liabilities, Teacher Employee HIC OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee HIC Plan OPEB

At June 30, 2020, the school division reported a liability of \$1,358,189 for its proportionate share of the VRS Teacher Employee HIC Net OPEB Liability. The Net VRS Teacher Employee HIC OPEB Liability was measured as of June 30, 2019 and the total VRS Teacher Employee HIC OPEB liability used to calculate the Net VRS Teacher Employee HIC OPEB Liability was determined by an actuarial valuation performed as of June 30, 2018 and rolled forward to the measurement date of June 30, 2019. The school division's proportion of the Net VRS Teacher Employee HIC OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee HIC OPEB plan for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the school division's proportion of the VRS Teacher Employee HIC was 0.10375% as compared to 0.11093% at June 30, 2018.

For the year ended June 30, 2020, the school division recognized VRS Teacher Employee HIC OPEB expense of \$100,688. Since there was a change in proportionate share between measurement dates, a portion of the VRS Teacher Employee HIC Net OPEB expense was related to deferred amounts from changes in proportion.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 13-Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Teacher Employee HIC OPEB Liabilities, Teacher Employee HIC OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee HIC Plan OPEB (Continued)

At June 30, 2020, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee HIC Program OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 7,692
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	86	-
Change in assumptions	31,611	9,438
Change in proportion	20,552	97,963
Employer contributions subsequent to the measurement date	<u>112,977</u>	<u>-</u>
Total	<u>\$ 165,226</u>	<u>\$ 115,093</u>

\$112,977 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the fiscal year ending June 30, 2021.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

Year Ended June 30

2021	\$ (9,806)
2022	(9,808)
2023	(9,212)
2024	(9,412)
2025	(10,493)
Thereafter	(14,113)

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 13-Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Actuarial Assumptions

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee HIC Plan was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

Inflation	2.50%
Salary increases, including inflation	3.50%-5.95%
Investment rate of return	6.75%, net of investment expenses, including inflation*

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of OPEB liabilities.

Mortality Rates - Teachers

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 13- Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Actuarial Assumptions (continued)

Mortality Rates - Teachers (continued)

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

Net Teacher Employee HIC OPEB Liability

The net OPEB liability (NOL) for the Teacher Employee HIC Plan represents the plan's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2019, NOL amounts for the VRS Teacher Employee HIC Plan is as follows (amounts expressed in thousands):

		Teacher Employee HIC OPEB Plan
Total Teacher Employee HIC OPEB Liability	\$	1,438,114
Plan Fiduciary Net Position		129,016
Teacher Employee Net HIC OPEB Liability (Asset)	\$	<u>1,309,098</u>
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability		
		8.97%

The total Teacher Employee HIC OPEB liability is calculated by the System's actuary, and the plan's fiduciary net position is reported in the System's financial statements. The net Teacher Employee HIC OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020**Note 13- Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)*****Long-Term Expected Rate of Return***

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
Total	100.00%		5.13%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.63%

*The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020**Note 13- Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)*****Discount Rate***

The discount rate used to measure the total Teacher Employee HIC OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2019, the rate contributed by each school division for the VRS Teacher Employee HIC Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2019 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee HIC OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total Teacher Employee HIC OPEB liability.

Sensitivity of the School Division's Proportionate Share of the Teacher Employee HIC Net OPEB Liability to Changes in the Discount Rate

The following presents the school division's proportionate share of the VRS Teacher Employee HIC Program net HIC OPEB liability using the discount rate of 6.75%, as well as what the school division's proportionate share of the net HIC OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan			
Net HIC OPEB Liability	\$ 1,520,044	\$ 1,358,189	\$ 1,220,693

Teacher Employee HIC OPEB Fiduciary Net Position

Detailed information about the VRS Teacher Employee HIC Program's Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 14- Line of Duty Act (LODA) (OPEB):

The Line of Duty Act (LODA) provides death and healthcare benefits to certain law enforcement and rescue personnel, and their beneficiaries, who were disabled or killed in the line of duty. Benefit provisions and eligibility requirements are established by Title 9.1 Chapter 4 of the Code of Virginia. Funding of LODA benefits is provided by employers in one of two ways: (a) participation in the Line of Duty and Health Benefits Trust Fund (LODA Fund), administered by the Virginia Retirement System (VRS) or (b) self-funding by the employer or through an insurance company.

The County has elected to provide LODA benefits through an insurance company. The obligation for the payment of benefits has been effectively transferred from the County to VACORP. VACORP assumes all liability for the County's LODA claims that are approved by VRS. The pool purchases reinsurance to protect the pool from extreme claims costs.

The current-year OPEB expense/expenditure for the insured benefits is defined as the amount of premiums or other payments required for the insured benefits for the reporting period in accordance with the agreement with the insurance company for LODA and a change in liability to the insurer equal to the difference between amounts recognized as OPEB expense and amounts paid by the employer to the insurer. The County's LODA coverage is fully covered or "insured" through VACORP. This is built into the LODA coverage cost presented in the annual renewals. The County's LODA premium for the year ended June 30, 2020 was \$24,170.

Note 15-OPEB Summary:

	Primary Government				Component Unit School Board			
	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense
Stand Alone OPEB Plan (Note 11):								
County	\$ 18,945	\$ 106,930	\$447,936	\$ 18,456	\$ -	\$ -	\$ -	\$ -
School Board	-	-	-	-	147,500	66,000	1,276,900	91,400
VRS OPEB Plans:								
GLI Plan (Note 12)								
County	85,233	27,161	369,642	10,993	-	-	-	-
School Board Nonprofessional	-	-	-	-	14,535	16,797	77,295	(770)
School Board Professional	-	-	-	-	155,861	95,423	722,344	10,774
Teacher HIC Plan (Note 13)	-	-	-	-	165,226	115,093	1,358,189	100,688
Totals	<u>\$ 104,178</u>	<u>\$ 134,091</u>	<u>\$817,578</u>	<u>\$ 29,449</u>	<u>\$483,122</u>	<u>\$293,313</u>	<u>\$3,434,728</u>	<u>\$202,092</u>

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 16-Capital Assets:

Capital asset activity for the year ended June 30, 2020 was as follows:

Primary Government:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 911,038	\$ -	\$ -	\$ 911,038
Construction in progress	500,755	393,219	(62,923)	831,051
Total capital assets not being depreciated	<u>\$ 1,411,793</u>	<u>\$ 393,219</u>	<u>\$ (62,923)</u>	<u>\$ 1,742,089</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 28,178,824	\$ 400,336	\$ -	\$ 28,579,160
Machinery and equipment	4,056,649	558,505	(106,679)	4,508,475
Total capital assets being depreciated	<u>\$ 32,235,473</u>	<u>\$ 958,841</u>	<u>\$ (106,679)</u>	<u>\$ 33,087,635</u>
Accumulated depreciation:				
Buildings and improvements	\$ (7,672,726)	\$ (757,484)	\$ -	\$ (8,430,210)
Machinery and equipment	(2,742,895)	(455,880)	98,790	(3,099,985)
Total accumulated depreciation	<u>\$ (10,415,621)</u>	<u>\$ (1,213,364)</u>	<u>\$ 98,790</u>	<u>\$ (11,530,195)</u>
Total capital assets being depreciated, net	<u>\$ 21,819,852</u>	<u>\$ (254,523)</u>	<u>\$ (7,889)</u>	<u>\$ 21,557,440</u>
Governmental activities capital assets, net	<u><u>\$ 23,231,645</u></u>	<u><u>\$ 138,696</u></u>	<u><u>\$ (70,812)</u></u>	<u><u>\$ 23,299,529</u></u>

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COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 16-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
Capital assets, being depreciated:				
Infrastructure	\$ 3,674,073	\$ -	\$ -	\$ 3,674,073
Machinery and equipment	50,336	-	-	50,336
Total capital assets being depreciated	\$ 3,724,409	\$ -	\$ -	\$ 3,724,409
Accumulated depreciation:				
Infrastructure	\$ (1,502,111)	\$ (93,501)	\$ -	\$ (1,595,612)
Machinery and equipment	(32,310)	(3,605)	-	(35,915)
Total accumulated depreciation	\$ (1,534,421)	\$ (97,106)	\$ -	\$ (1,631,527)
Total capital assets being depreciated, net	\$ 2,189,988	\$ (97,106)	\$ -	\$ 2,092,882
Business-type activities capital assets, net	\$ 2,200,636	\$ (97,106)	\$ -	\$ 2,103,530

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

Governmental Activities:

General government administration	\$ 110,965
Judicial administration	2,859
Public safety	149,446
Public works	168,223
Health and welfare	27,118
Education	617,644
Parks, recreation, and cultural	68,300
Community development	68,809

Total depreciation expense-governmental activities \$ 1,213,364

Business-type activities:

Water	\$ 97,106
Total depreciation expense-business-type activities	<u>\$ 97,106</u>

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 16-Capital Assets: (Continued)

Capital asset activity for the School Board for the year ended June 30, 2020 was as follows:

Discretely Presented Component Unit:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 142,233	\$ -	\$ -	\$ 142,233
Construction in progress	-	360,956	-	360,956
Total capital assets not being depreciated	\$ 142,233	\$ 360,956	\$ -	\$ 503,189
Capital assets, being depreciated:				
Buildings and improvements	\$ 13,590,303	\$ 125,275	\$ (14,863)	\$ 13,700,715
Machinery and equipment	5,250,957	250,680	(239,036)	5,262,601
Total capital assets being depreciated	\$ 18,841,260	\$ 375,955	\$ (253,899)	\$ 18,963,316
Accumulated depreciation:				
Buildings and improvements	\$ (11,442,147)	\$ (300,048)	\$ 14,863	\$ (11,727,332)
Machinery and equipment	(3,809,587)	(314,396)	239,036	(3,884,947)
Total accumulated depreciation	\$ (15,251,734)	\$ (614,444)	\$ 253,899	\$ (15,612,279)
Total capital assets being depreciated, net	\$ 3,589,526	\$ (238,489)	\$ -	\$ 3,351,037
Governmental activities capital assets, net	\$ 3,731,759	\$ 122,467	\$ -	\$ 3,854,226

Note 17-Risk Management:

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

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 18-Commitments and Contingencies:

Construction Commitments:

Project	Amount of Contract	Amount Outstanding	Accounts Payable	Retainage Payable
County - Baywood School Improvements	\$ 115,000	\$ -	\$ 60,000	\$ -
County - Industrial Site Improvements	340,000	170,000	-	-
Schools - Middle School Annex Building	591,152	300,000	-	14,558
Total	<u>\$ 1,046,152</u>	<u>\$ 470,000</u>	<u>\$ 60,000</u>	<u>\$ 14,558</u>

Contingencies:

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

Note 19-Surety Bonds:

Primary Government:

Fidelity & Deposit Company of Maryland-Surety:

Susan Herrington, Clerk of the Circuit Court	\$ 500,000
Pete Hall, 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 20-Notes Receivable:

On June 5, 2008, the County loaned \$150,000 to Millworks LLC. The loan is payable in 120 monthly installments of \$1,380 starting with the first payment due on August 15, 2008. The note bears interest at the rate of 2%. The outstanding balance at June 30, 2020 was \$68,171. The note is delinquent as of June 30, 2020, but the County still expects full repayment.

During fiscal year 2018, the County issued interest free notes receivable as part of the home rehabilitation programs for Eagle Bottom and Troutdale. The aggregate balances due on those notes was \$71,421 as of June 30, 2020.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 21-School Board Early Retirement Incentive Plan:

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

Employees may participate in the plan for a maximum of 14 years or until the appropriate age for receipt of social security benefits, whichever occurs first. In the event of the retiree's death, the balance of the ERIP owed will be paid to the retiree's estate. The School Board funds the plan on a pay as you go basis. As of June 30, 2020, the unfunded balance of the early retirement incentive plan totaled \$14,828.

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

Note 22-County Early Retirement Incentive Plan:

Defined Benefit Plan

Plan Description:

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 22-County Early Retirement Incentive Plan: (Continued)

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

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

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

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

Contributions Policy

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

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Note 22-County Early Retirement Incentive Plan: (Continued)

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

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

Actuarial Methods:

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

Actuarial Assumptions for GASB 68 Results:

- Valuation date—July 1, 2019
- Measurement date—June 30, 2020
- Mortality table— RP 2014 Mortality tables, fully generational with base year 2006, projected using two-dimensional mortality improvement scale MP-2019.
- Discount rate—July 1, 2020 is 3.00% and July 1, 2019 valuations is 3.00%.
- Expected long term rate of return— July 1, 2020 is 3.00% and July 1, 2019 valuations is 3.00%.
- Inflation—2.50% per year
- Salary increase—2.50% per year

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 22-County Early Retirement Incentive Plan: (Continued)

Plan Membership

As of June 30, 2020 (the measurement date), membership in the Supplemental Retirement Program was comprised as follows:

Inactive employees or beneficiaries currently receiving benefits	1
Active employees	<u>12</u>
Total	13

Net Pension Liability

A detailed schedule of changes in the net pension liability is presented under required supplementary information. This information is intended to help users assess the extent of the Grayson County's obligation to the Defined Benefit Plan. The net pension liability at June 30, 2020 is as follows:

Total pension liability (TPL)	\$	452,200
Plan fiduciary net position		<u>35,000</u>
Net pension liability (NPL)	\$	<u>417,200</u>
Plan fiduciary net position as a percentage of the total pension liability		7.74%
Covered employee payroll	\$	488,900
Net pension liability as a percentage of covered employee payroll		85.33%

Expected Rate of Return and Target Allocation

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 22-County Early Retirement Incentive Plan: (Continued)

Sensitivity of the Net Pension Liability

Changes in the discount rate affect the measurement of pension liabilities; therefore, a small change in the discount rate could result in a significant change in the net pension liability. As an illustration, the following table presents the net pension liability for the Supplemental Retirement Program calculated using the discount rate of 3.00%, as well as what the Supplemental Retirement Program's net pension liability would be if it were calculated using a discount rate of one percentage point lower (2.00%) or one percentage point higher (4.00%) than the current rate:

Sensitivity of the Net Pension Liability to Changes in the Discount Rate				
	1% Decrease		Current Discount Rate	1% Increase
	2.00%		3.00%	4.00%
Net Pension Liability	\$ 442,800	\$	417,200	\$ 393,100

Summary of Deferred Outflows and Inflows of Resources

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

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

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 22-County Early Retirement Incentive Plan: (Continued)

Summary of Deferred Outflows and Inflows of Resources (Continued)

The deferred inflows of resources and deferred outflows of resources is comprised as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 29,600	\$ 9,200
Change in assumptions	36,200	5,100
Net difference between projected and actual earnings on pension plan investments	-	200
Total	\$ 65,800	\$ 14,500

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

Amortization Schedule of Deferred Outflows and Inflows of Resources

Year Ended June 30

2020	\$	13,800
2021		12,700
2022		12,500
2023		9,800
2024		2,500
Thereafter		-

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COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 22-County Early Retirement Incentive Plan: (Continued)

Components of Pension Expense

		Pension Expense
Service Cost	\$	11,600
Interest Cost		12,300
Projected Earnings on Plan Assets		(1,200)
Recognition of due to differences between expected and actual experience in the measurement of total pension liability		4,200
Recognition of changes in assumptions in the measurement of total pension liability		8,700
Recognition of differences between projected and actual earnings on plan investments		900
Administrative Expense		2,000
Pension Expense	\$	38,500

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

Note 23-Deferred/Unavailable Revenue:

Deferred/unavailable revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Under the accrual basis, assessments for future periods are deferred.

	Government-wide Statements Governmental Activities	Balance Sheet Governmental Funds
Primary Government:		
Unavailable property tax revenue representing uncollected property tax billings that are not available for the funding of current expenditures.	\$ -	\$ 1,944,970
Tax assessments due after June 30	9,908,896	9,908,896
Prepaid taxes relating to taxes due in a future period.	74,825	74,825
Total deferred/unavailable revenue	\$ 9,983,721	\$ 11,928,691

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2020

Note 24-Litigation:

At June 30, 2020, there were no matters of litigation involving the County or which would materially affect the County's financial position should any court decisions on pending matters not be favorable to the County.

Note 25-Restatement of Beginning Balances:

Governmental Activities, as previously reported 6/30/19	\$ 10,928,039
Correct bond premium amortization	1,038,668
Governmental Activities, as restated 7/1/19	<u>\$ 11,966,707</u>

Note 26-Subsequent Events:

In August 2020, an earthquake caused an estimated \$200,000 in damages to the school buildings. The School Board expects to receive insurance proceeds in that amount for repairs during fiscal year 2021.

On November 10, 2020, the County received notice that Virginia Public School Financing Authority (VPSA) was refunding a bond pool that included the County's bond outstanding with an amount of \$12,375,000 as of June 30, 2020. The refunding results in savings of \$762,623 over the remaining life of the bond. The County will continue to pay original debt service amounts and receive the savings payment annually on August 1st.

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency stemming from a new strain of coronavirus that was spreading globally (the "COVID-19 outbreak"). On March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic, triggering volatility in financial markets and a significant negative impact on the global economy. The COVID-19 pandemic has developed rapidly in 2020 and remains a quickly evolving situation. As a result of the spread of COVID-19, economic uncertainties have arisen which are likely to negatively impact economic activity. The County of Grayson, Virginia is not able to estimate the effects of the COVID-19 pandemic for fiscal year 2021.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was passed by the federal government to alleviate some of the effects of the sharp economic downturn due to the COVID-19 pandemic. Among the CARES Act key provisions was \$339.8 billion designated for programs for state and local government, which included \$150 billion in direct aid for state and local governments from the federal Coronavirus Relief Fund (CRF), pursuant to the federal CARES Act, to address spending shortages related to the COVID-19 pandemic.

The Commonwealth of Virginia received approximately \$3.1 billion from the CRF, of which \$1.3 billion was allocated for localities with fewer than 500,000 people. Localities with populations greater than 500,000 could apply to receive funds directly. All other CRF funds were distributed to the states to determine the allocations to localities.

On May 12, 2020, the first round of the allocations to local governments was authorized by the Commonwealth. On June 1, 2020, each locality received its share of the first half, or fifty (50) percent, of the locally based allocations. Unspent funds at June 30 from the initial allocation are reported as unearned revenue. Like the first round, the second round of allocations was based on population and was for the same total amount distributed in the first round. The County of Grayson, Virginia, received the second round of CRF funds in the amount of \$1,356,678 after year end.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 26-Subsequent Events: (Continued)

The federal guidance for the CARES Act states that the CRF funds can be used only for the direct costs associated with the response to the COVID-19 pandemic and cannot be used to address revenue shortfalls. CRF funds are considered one-time funds and should not be used for ongoing services or base operations. As a condition of receiving CRF funds, any funds unexpended as of December 30, 2020 will be returned to the federal government.

Note 27-Upcoming Pronouncements:

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 87, *Leases*, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and No. 61*, provides guidance for reporting a government's majority equity interest in a legally separate organization and for reporting financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

Statement No. 92, *Omnibus 2020*, addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics such as leases, assets related to pension and postemployment benefits, and reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature. The effective dates differ by topic, ranging from January 2020 to periods beginning after June 15, 2021.

Statement No. 93, *Replacement of Interbank Offered Rates*, establishes accounting and financial reporting requirements related to the replacement of Interbank Offered Rates (IBORs) in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this Statement, except for removal of London Interbank Offered Rate (LIBOR) as an appropriate benchmark interest rate and the requirements related to lease modifications, are effective for reporting periods beginning after June 15, 2020. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All requirements related to lease modifications in this Statement are effective for reporting periods beginning after June 15, 2021.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 27-Upcoming Pronouncements: (Continued)

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability of Payment Arrangements*, addresses issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code (IRC) Section 457 Deferred Compensation Plans - an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement. No 32*, (1) increases consistency and comparability related to reporting of fiduciary component units in certain circumstances; (2) mitigates costs associated with the reporting of certain plans as fiduciary component units in fiduciary fund financial statements; and (3) enhances the relevance, consistency, and comparability of the accounting and financial reporting for Section 457 plans that meet the definition of a pension plan and for benefits provided through those plans. The effective dates differ based on the requirements of the Statement, ranging from June 2020 to reporting periods beginning after June 15, 2021.

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

Required Supplementary Information

County of Grayson, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2020

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget -
			Amounts	Positive
				(Negative)
REVENUES				
General property taxes	\$ 12,135,000	\$ 12,135,000	\$ 11,887,949	\$ (247,051)
Other local taxes	1,391,817	1,391,817	1,457,413	65,596
Permits, privilege fees, and regulatory licenses	73,950	73,950	59,220	(14,730)
Fines and forfeitures	15,200	15,200	13,445	(1,755)
Revenue from the use of money and property	104,500	104,500	60,937	(43,563)
Charges for services	2,211,750	2,211,900	2,136,725	(75,175)
Miscellaneous	24,158	90,142	182,265	92,123
Recovered costs	413,000	413,000	409,966	(3,034)
Intergovernmental:				
Commonwealth	4,579,989	4,586,306	4,639,351	53,045
Federal	1,293,029	1,293,029	1,771,693	478,664
Total revenues	\$ 22,242,393	\$ 22,314,844	\$ 22,618,964	\$ 304,120
EXPENDITURES				
Current:				
General government administration	\$ 1,715,556	\$ 1,722,751	\$ 1,610,789	\$ 111,962
Judicial administration	1,051,830	1,055,488	1,000,097	55,391
Public safety	4,586,674	4,796,229	4,375,698	420,531
Public works	1,994,116	2,046,016	1,839,264	206,752
Health and welfare	3,482,992	3,536,125	3,735,016	(198,891)
Education	5,485,778	5,485,778	5,484,835	943
Parks, recreation, and cultural	559,775	564,233	461,907	102,326
Community development	1,620,951	1,645,233	735,634	909,599
Capital projects	295,942	314,456	1,129,700	(815,244)
Debt service:				
Principal retirement	986,046	986,046	990,528	(4,482)
Interest and other fiscal charges	462,733	462,733	464,044	(1,311)
Total expenditures	\$ 22,242,393	\$ 22,615,088	\$ 21,827,512	\$ 787,576
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (300,244)	\$ 791,452	\$ 1,091,696
OTHER FINANCING SOURCES (USES)				
Issuance of capital leases	\$ -	\$ -	\$ 676,356	\$ 676,356
Net change in fund balances	\$ -	\$ (300,244)	\$ 1,467,808	\$ 1,768,052
Fund balances - beginning	-	300,244	7,199,330	6,899,086
Fund balances - ending	\$ -	\$ -	\$ 8,667,138	\$ 8,667,138

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, 2020

	Economic Development Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 47,120	\$ 47,120
Miscellaneous	-	-	21,840	21,840
Total revenues	\$ -	\$ -	\$ 68,960	\$ 68,960
EXPENDITURES				
Current:				
Community development	\$ -	\$ -	\$ 21,840	\$ (21,840)
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 47,120	\$ 47,120
Net change in fund balances	\$ -	\$ -	\$ 47,120	\$ 47,120
Fund balances - beginning	-	-	739,734	739,734
Fund balances - ending	\$ -	\$ -	\$ 786,854	\$ 786,854

County of Grayson, Virginia
Schedule of Employer's Share of Net OPEB Liability
Group Life Insurance (GLI) Plan
For the Measurement Dates of June 30, 2017 through June 30, 2019

Date	Employer's Proportion of the Net GLI OPEB Liability (Asset)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)	Employer's Covered Payroll	Employer's	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability
				Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4)	
(1)	(2)	(3)	(4)	(5)	(6)
Primary Government					
2019	0.02284% \$	369,642 \$	4,470,577	8.27%	52.00%
2018	0.02305%	350,505	4,322,308	8.11%	51.22%
2017	0.02235%	336,031	4,122,885	8.15%	48.86%
Component Unit-School Board (Nonprofessional)					
2019	0.00475% \$	77,295 \$	929,375	8.32%	52.00%
2018	0.00503%	77,000	955,734	8.06%	51.22%
2017	0.00575%	86,000	1,061,120	8.10%	48.86%
Component Unit-School Board (Professional)					
2019	0.04439% \$	722,344 \$	8,702,106	8.30%	52.00%
2018	0.04718%	717,000	8,971,288	7.99%	51.22%
2017	0.04826%	726,000	8,902,636	8.15%	48.86%

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

County of Grayson, Virginia
Schedule of Employer Contributions
Group Life Insurance (GLI) Plan
For the Years Ended June 30, 2011 through June 30, 2020

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government					
2020	\$ 24,889	\$ 24,889	\$ -	\$ 4,786,346	0.52%
2019	23,247	23,247	-	4,470,577	0.52%
2018	22,476	22,476	-	4,322,308	0.52%
2017	21,439	21,439	-	4,122,885	0.52%
Component Unit-School Board (nonprofessional)					
2020	\$ 4,514	\$ 4,514	\$ -	\$ 868,101	0.52%
2019	4,819	4,819	-	929,375	0.52%
2018	4,985	4,985	-	955,734	0.52%
2017	5,518	5,518	-	1,061,120	0.52%
2016	5,079	5,079	-	1,058,056	0.48%
2015	5,962	5,962	-	1,242,043	0.48%
2014	6,102	6,102	-	1,271,330	0.48%
2013	5,817	5,817	-	1,211,812	0.48%
2012	3,357	3,357	-	1,199,067	0.28%
2011	3,373	3,373	-	1,204,508	0.28%
Component Unit-School Board (professional)					
2020	\$ 49,036	\$ 49,036	\$ -	\$ 9,429,860	0.52%
2019	45,156	45,156	-	8,702,106	0.52%
2018	46,684	46,684	-	8,971,288	0.52%
2017	46,294	46,294	-	8,902,636	0.52%
2016	40,406	40,406	-	8,417,889	0.48%
2015	45,808	45,808	-	9,543,276	0.48%
2014	44,936	44,936	-	9,361,669	0.48%
2013	44,116	44,116	-	9,190,897	0.48%
2012	25,436	25,436	-	9,084,146	0.28%
2011	25,456	25,456	-	9,091,532	0.28%

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

County of Grayson, Virginia
Notes to Required Supplementary Information
Group Life Insurance (GLI) Plan
For the Year Ended June 30, 2020

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions - The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Teachers

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Non-Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

County of Grayson, Virginia
Schedule of School Board's Share of Net OPEB Liability
Teacher Employee Health Insurance Credit (HIC) Plan
For the Measurement Dates of June 30, 2017 through June 30, 2019

Date	Employer's Proportion of the Net HIC OPEB Liability (Asset)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4)	Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability
(1)	(2)	(3)	(4)	(5)	(6)
2019	0.1038%	\$ 1,358,189	\$ 8,702,106	15.61%	8.97%
2018	0.1109%	1,408,000	8,971,288	15.69%	8.08%
2017	0.1128%	1,432,000	8,902,636	16.09%	7.04%

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

County of Grayson, Virginia
Schedule of Employer Contributions
Teacher Employee Health Insurance Credit (HIC) Plan
For the Years Ended June 30, 2011 through June 30, 2020

Date	Contributions in Relation to					Contributions as a % of Covered Payroll (5)
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)		
2020	\$ 112,977	\$ 112,977	\$ -	\$ 9,414,834		1.20%
2019	104,204	104,204	-	8,702,106		1.20%
2018	110,427	110,427	-	8,971,288		1.23%
2017	98,819	98,819	-	8,902,636		1.11%
2016	88,976	88,976	-	8,393,999		1.06%
2015	100,794	100,794	-	9,508,838		1.06%
2014	103,704	103,704	-	9,342,697		1.11%
2013	102,058	102,058	-	9,194,405		1.11%
2012	54,427	54,427	-	9,071,189		0.60%
2011	54,504	54,504	-	9,083,995		0.60%

County of Grayson, Virginia
Notes to Required Supplementary Information
Teacher Employee Health Insurance Credit (HIC) Plan
For the Year Ended June 30, 2020

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions - The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

County of Grayson, Virginia
Schedule of Employer's Proportionate Share of the Total OPEB Liability
Primary Government
Health Insurance
For the Measurement Dates of July 1, 2017 through July 1, 2019

Date (1)	Proportion of the Total OPEB Liability (TOL) (2)	Proportionate Share of the TOL (3)	Covered Payroll (4)	Proportionate Share of the TOL as a Percentage of Covered Payroll (3)/(4) (5)
2019	97.6533% \$	447,936	\$ 3,981,911	11.25%
2018	97.3625%	407,852	3,970,053	10.27%
2017	97.4024%	503,363	3,658,921	13.76%

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

County of Grayson, Virginia
Schedule of Changes in Total OPEB Liability and Related Ratios
Discretely Presented Component Unit - School Board
Health Insurance
For the Measurement Dates of July 1, 2017 through July 1, 2019

	2019	2018	2017
Total OPEB liability			
Service cost	\$ 50,200	\$ 52,400	\$ 51,100
Interest	44,500	48,300	49,600
Changes in assumptions	45,800	(91,900)	-
Differences between expected and actual experience	8,500	(7,300)	-
Benefit payments	(102,300)	(150,200)	(127,900)
Net change in total OPEB liability	\$ 46,700	\$ (148,700)	\$ (27,200)
Total OPEB liability - beginning	1,230,200	1,378,900	1,406,100
Total OPEB liability - ending	\$ 1,276,900	\$ 1,230,200	\$ 1,378,900
 Covered-employee payroll	 \$ 9,311,900	 \$ 9,311,900	 \$ 9,228,700
 School Board's total OPEB liability (asset) as a percentage of covered-employee payroll	 13.71%	 13.21%	 14.94%

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

County of Grayson, Virginia
Notes to Required Supplementary Information
Primary Government and Discretely Presented Component Unit - School Board
Health Insurance
For the Year Ended June 30, 2020

Valuation Date: 7/1/2018
Measurement Date: 7/1/2019

No assets are accumulated in a trust that meets the criteria in GASB 75 to pay related benefits.

Primary Government:

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age normal level % of salary
Salary Increase Rates	Future salaries are assumed to increase 2.50% annually
Participation Rate	45% of active employees are assumed to elect coverage in retirement; 33% of their spouses are assumed to elect coverage in retirement; 100% of actives who become disabled are assumed to elect coverage
Discount Rate	3.13%
Medical Trend Rate	6.50% for fiscal year 2020, decreasing by 0.50% per year to an ultimate rate of 5.00%
Retirement Age	The average age at retirement is 62
Mortality Rates	The mortality rates for active and healthy retirees was calculated using the RP-2014 Fully Generational Mortality Table, with base year 2006, using two-dimensional improvement scale MP-2019.

Discretely Presented Component Unit - School Board:

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age normal level % of salary
Salary Increase Rates	Future salaries are assumed to increase 2.50% annually
Participation Rate	40% of active employees are assumed to elect coverage in retirement; 20% of their spouses are assumed to elect coverage in retirement
Discount Rate	3.13%
Medical Trend Rate	6.50% for fiscal year 2020, decreasing by 0.50% per year to an ultimate rate of 5.00%
Retirement Age	The average age at retirement is 62
Mortality Rates	The mortality rates for active and healthy retirees was calculated using the RP-2014 Fully Generational Mortality Table, with base year 2006, using two-dimensional improvement scale MP-2019.

County of Grayson, Virginia
 Schedule of Employer's Proportionate Share of the Net Pension Liability
 For the Measurement Dates of June 30, 2014 through June 30, 2019

Date (1)	Proportion of the Net Pension Liability (NPL) (2)	Proportionate Share of the NPL (3)	Covered Payroll (4)	Proportionate Share of the NPL as a Percentage of Covered Payroll (3)/(4) (5)	Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability (6)
Primary Government - County Retirement Plan					
2019	97.12%	\$ 5,599,704	\$ 4,472,745	125.20%	77.24%
2018	97.36%	4,395,557	4,425,894	99.31%	80.61%
2017	97.40%	5,137,512	4,119,304	124.72%	77.14%
2016	96.31%	6,079,894	3,813,997	159.41%	71.94%
2015	94.61%	5,257,154	3,646,980	144.15%	74.44%
2014	94.61%	4,836,844	3,532,363	136.93%	75.57%
Component Unit School Board (professional)					
2019	0.10440%	\$ 13,739,633	\$ 8,683,626	158.22%	73.51%
2018	0.11168%	13,134,000	8,977,806	146.29%	74.81%
2017	0.11334%	13,938,000	8,906,833	156.49%	72.92%
2016	0.11000%	15,416,000	8,373,995	184.09%	68.28%
2015	0.12789%	16,097,000	9,484,994	169.71%	70.68%
2014	0.12803%	15,438,000	9,342,058	165.25%	70.88%

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

County of Grayson, Virginia
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
Component Unit School Board (nonprofessional)
For the Measurement Dates of June 30, 2014 through June 30, 2019

	2019	2018	2017	2016	2015	2014
Total pension liability						
Service cost	\$ 93,993	\$ 109,951	\$ 108,624	\$ 129,545	\$ 137,242	\$ 131,743
Interest	390,004	382,342	385,307	372,488	358,587	340,515
Differences between expected and actual experience	26,932	(48,254)	(194,674)	(53,238)	(63,481)	-
Changes of assumptions	147,687	-	(40,388)	-	-	-
Benefit payments	(354,207)	(314,932)	(287,538)	(243,791)	(223,735)	(204,448)
Net change in total pension liability	\$ 304,409	\$ 129,107	\$ (28,669)	\$ 205,004	\$ 208,613	\$ 267,810
Total pension liability - beginning	5,748,596	5,619,489	5,648,158	5,443,154	5,234,541	4,966,731
Total pension liability - ending (a)	\$ 6,053,005	\$ 5,748,596	\$ 5,619,489	\$ 5,648,158	\$ 5,443,154	\$ 5,234,541
Plan fiduciary net position						
Contributions - employer	\$ 54,911	\$ 15,893	\$ 70,121	\$ 105,215	\$ 292,271	\$ 130,031
Contributions - employee	44,052	17,050	51,220	52,631	61,197	66,050
Net investment income	367,479	402,454	611,656	87,815	222,854	646,555
Benefit payments	(354,207)	(314,932)	(287,538)	(243,791)	(223,735)	(204,448)
Administrator charges	(3,822)	(3,647)	(3,617)	(3,179)	(2,874)	(3,460)
Other	(230)	(351)	(541)	(37)	(46)	34
Net change in plan fiduciary net position	\$ 108,183	\$ 116,467	\$ 441,301	\$ (1,346)	\$ 349,667	\$ 634,762
Plan fiduciary net position - beginning	5,652,387	5,535,920	5,094,619	5,095,965	4,746,298	4,111,536
Plan fiduciary net position - ending (b)	\$ 5,760,570	\$ 5,652,387	\$ 5,535,920	\$ 5,094,619	\$ 5,095,965	\$ 4,746,298
School Board's net pension liability - ending (a) - (b)	\$ 292,435	\$ 96,209	\$ 83,569	\$ 553,539	\$ 347,189	\$ 488,243
Plan fiduciary net position as a percentage of the total pension liability	95.17%	98.33%	98.51%	90.20%	93.62%	90.67%
Covered payroll	\$ 929,375	\$ 949,587	\$ 1,046,780	\$ 1,058,056	\$ 1,242,043	\$ 1,271,330
School Board's net pension liability as a percentage of covered payroll	31.47%	10.13%	7.98%	52.32%	27.95%	38.40%

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

County of Grayson, Virginia
Schedule of Employer Contributions - Pension
For the Years Ended June 30, 2011 through June 30, 2020

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government					
2020	\$ 685,929	\$ 685,929	\$ -	\$ 4,919,014	13.94%
2019	644,726	644,726	-	4,472,745	14.41%
2018	677,569	677,569	-	4,425,894	15.31%
2017	648,735	648,735	-	4,119,304	15.75%
2016	712,656	712,656	-	3,813,997	18.69%
2015	684,883	684,883	-	3,646,980	18.78%
Component Unit School Board (nonprofessional)					
2020	\$ 50,066	\$ 50,066	\$ -	\$ 863,916	5.80%
2019	54,851	54,851	-	929,375	5.90%
2018	63,092	63,092	-	949,587	6.64%
2017	70,121	70,121	-	1,046,780	6.70%
2016	105,194	105,194	-	1,058,056	9.94%
2015	122,393	292,271	(169,878)	1,242,043	23.53%
2014	130,057	130,057	-	1,271,330	10.23%
2013	123,968	123,968	-	1,211,812	10.23%
2012	89,421	89,421	-	1,192,283	7.50%
2011	90,260	90,260	-	1,203,460	7.50%
Component Unit School Board (professional)					
2020	\$ 1,437,496	\$ 1,437,496	\$ -	\$ 9,434,807	15.24%
2019	1,332,964	1,332,964	-	8,683,626	15.35%
2018	1,442,354	1,442,354	-	8,977,806	16.07%
2017	1,295,037	1,295,037	-	8,906,833	14.54%
2016	1,171,227	1,171,227	-	8,373,995	13.99%
2015	1,368,732	1,368,732	-	9,484,994	14.43%
2014	1,089,284	1,089,284	-	9,342,058	11.66%
2013	1,049,617	1,049,617	-	9,001,861	11.66%
2012	574,205	574,205	-	9,071,165	6.33%
2011	355,747	355,747	-	9,052,083	3.93%

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

County of Grayson, Virginia
Notes to Required Supplementary Information - Pension
For the Year Ended June 30, 2020

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions - The actuarial assumptions used in the June 30, 2018, valuations were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non-10 Largest) - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

All Others (Non-10 Largest) - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Component Unit School Board - Professional Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

County of Grayson, Virginia
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
Grayson County Supplemental Retirement Program (ERIP)
For the Measurement Dates of June 30, 2017 through June 30, 2020

	2020	2019	2018	2017
Total pension liability				
Service cost	\$ 11,600	\$ 12,500	\$ 7,900	\$ 7,700
Interest	12,300	12,400	19,600	18,400
Differences between expected and actual experience	35,900	(8,100)	(6,200)	-
Changes in assumptions	-	(7,000)	65,600	-
Benefit payments, including refunds of employee contributions	(12,200)	(9,200)	(4,400)	(7,600)
Other charges	(200)	-	-	-
Net change in total pension liability	\$ 47,400	\$ 600	\$ 82,500	\$ 18,500
Total pension liability - beginning	404,800	404,200	321,700	303,200
Total pension liability - ending (a)	\$ 452,200	\$ 404,800	\$ 404,200	\$ 321,700
Plan fiduciary net position				
Net investment income	\$ 2,700	\$ 3,300	\$ 600	\$ (1,100)
Benefit payments, including refunds of employee contributions	(12,200)	(9,200)	(4,400)	(7,600)
Administrative expense	(2,000)	(2,000)	(2,000)	-
Net change in plan fiduciary net position	\$ (11,500)	\$ (7,900)	\$ (5,800)	\$ (8,700)
Plan fiduciary net position - beginning	46,500	54,400	60,200	68,900
Plan fiduciary net position - ending (b)	\$ 35,000	\$ 46,500	\$ 54,400	\$ 60,200
County's net pension liability - ending (a) - (b)	\$ 417,200	\$ 358,300	\$ 349,800	\$ 261,500
Plan fiduciary net position as a percentage of the total pension liability	7.74%	11.49%	13.46%	18.71%
Covered payroll	\$ 488,900	\$ 472,000	\$ 470,400	\$ 469,800
County's net pension liability as a percentage of covered payroll	85.33%	75.91%	74.36%	55.66%

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

County of Grayson, Virginia
Notes to Required Supplementary Information
Primary Government
Grayson County Supplemental Retirement Program (ERIP)
For the Year Ended June 30, 2020

Valuation Date: 7/1/2019
Measurement Date: 6/30/2020

Primary Government:

Methods and assumptions used to determine pension liability:

Actuarial Cost Method	Entry age actuarial cost method
Salary Increase Rates	Future salaries are assumed to increase 2.50% annually
Participation Rate	The plan is closed to only those 100% vested.
Discount Rate	3.00%
Retirement Age	The average age at retirement is 62
Mortality Rates	The mortality rates for active and healthy retirees was calculated using the RP-2014 Fully Generational Mortality Table, with base year 2006, projected using two-dimensional mortality improvement scale MP-2019.

Other Supplementary Information

FIDUCIARY FUNDS

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

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

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

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

County of Grayson, Virginia
Combining Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2020

	Agency Funds				
	<u>Special Welfare</u>	<u>Building Code</u>	<u>ASAP</u>	<u>Regional Library</u>	<u>Total</u>
ASSETS					
Cash and cash equivalents	\$ 9,654	\$ 432	\$ 182,259	\$ 256,090	\$ 448,435
Investments	-	-	52,627	-	52,627
Total assets	<u>\$ 9,654</u>	<u>\$ 432</u>	<u>\$ 234,886</u>	<u>\$ 256,090</u>	<u>\$ 501,062</u>
LIABILITIES					
Amounts held for social services clients	\$ 9,654	\$ -	\$ -	\$ -	\$ 9,654
Amounts held for subsequent remittance to State for surcharge	-	432	-	-	432
Amounts held for Mt. Rogers Alcohol Safety Action Program	-	-	234,886	-	234,886
Amounts held for Grayson Regional Library	-	-	-	256,090	256,090
Total liabilities	<u>\$ 9,654</u>	<u>\$ 432</u>	<u>\$ 234,886</u>	<u>\$ 256,090</u>	<u>\$ 501,062</u>

County of Grayson, Virginia
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2020

	Agency Funds			
	Balance July 1, <u>2019</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2020</u>
ASSETS				
Cash and cash equivalents:				
Special Welfare Fund	\$ 8,275	\$ 24,482	\$ (23,103)	\$ 9,654
Building Code Fund	-	1,232	(800)	432
ASAP	125,465	323,780	(266,986)	182,259
Regional Library	253,303	844,607	(841,820)	256,090
Investments:				
ASAP	51,783	844	-	52,627
Total assets	<u>\$ 438,826</u>	<u>\$ 1,194,945</u>	<u>\$ (1,132,709)</u>	<u>\$ 501,062</u>
LIABILITIES				
Amounts held for others:				
Social services clients	\$ 8,275	\$ 24,482	\$ (23,103)	\$ 9,654
Subsequent remittance to State for surcharge	-	1,232	(800)	432
Mt. Rogers Alcohol Safety Action Program	177,248	324,624	(266,986)	234,886
Grayson Regional Library	253,303	844,607	(841,820)	256,090
Total liabilities	<u>\$ 438,826</u>	<u>\$ 1,194,945</u>	<u>\$ (1,132,709)</u>	<u>\$ 501,062</u>

DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD

MAJOR GOVERNMENTAL FUNDS

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

County of Grayson, Virginia
Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2020

	School Operating Fund
ASSETS	
Cash and cash equivalents	\$ 817,680
Receivables (net of allowance for uncollectibles):	
Accounts receivable	43,672
Due from other governmental units	832,039
Prepaid items	130,727
Total assets	<u>\$ 1,824,118</u>
LIABILITIES	
Accounts payable	\$ 110,848
Accrued salaries	805,446
Total liabilities	<u>\$ 916,294</u>
FUND BALANCES	
Nonspendable:	
Prepaid items	\$ 130,727
Restricted:	
Cafeteria	44,608
Committed:	
Textbooks	11,855
Unassigned	720,634
Total fund balances	<u>\$ 907,824</u>
Total liabilities and fund balances	<u>\$ 1,824,118</u>
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:	
Total fund balances per above	\$ 907,824
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Land	\$ 142,233
Buildings and improvements	1,973,383
Machinery and equipment	<u>1,377,654</u>
	3,854,226
Deferred outflows of resources are not available to pay for current period expenditures and, therefore, are not reported in the funds.	
Pension related items	\$ 3,150,312
OPEB related items	<u>483,122</u>
	3,633,434
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Compensated absences	\$ (323,664)
Net OPEB liabilities	(3,434,728)
ERIP liability	(14,828)
Net pension liability	<u>(14,032,068)</u>
	(17,805,288)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.	
Pension related items	\$ (2,779,501)
OPEB related items	<u>(293,313)</u>
	(3,072,814)
Net position of governmental activities	<u>\$ (12,482,618)</u>

County of Grayson, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2020

	School Operating Fund
REVENUES	
Revenue from the use of money and property	\$ 8,800
Charges for services	163,572
Miscellaneous	109,826
Recovered costs	461,640
Intergovernmental:	
Local government	5,465,423
Commonwealth	11,745,575
Federal	2,178,066
Total revenues	<u>\$ 20,132,902</u>
EXPENDITURES	
Current:	
Education	\$ 20,649,612
Total expenditures	<u>\$ 20,649,612</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (516,710)</u>
Net change in fund balances	\$ (516,710)
Fund balances - beginning	1,424,534
Fund balances - ending	<u><u>\$ 907,824</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	\$ (516,710)
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 expense in the current period.	
Capital outlay	\$ 736,911
Depreciation expense	<u>(614,444)</u>
	122,467
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.	
Change in compensated absences	\$ (13,675)
Change in ERIP liability	25,804
Change in net pension liabilities and related deferred items	515,111
Change in net OPEB liabilities and related deferred items	<u>23,502</u>
Change in net position of governmental activities	<u><u>\$ 156,499</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, 2020

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Negative)</u>
REVENUES				
Revenue from the use of money and property	\$ 10,800	\$ 9,025	\$ 8,800	\$ (225)
Charges for services	230,000	211,730	163,572	(48,158)
Miscellaneous	116,858	142,503	109,826	(32,677)
Recovered costs	556,594	532,992	461,640	(71,352)
Intergovernmental:				
Local government	5,681,350	5,465,723	5,465,423	(300)
Commonwealth	11,465,728	11,949,498	11,745,575	(203,923)
Federal	2,124,665	2,310,474	2,178,066	(132,408)
Total revenues	<u>\$ 20,185,995</u>	<u>\$ 20,621,945</u>	<u>\$ 20,132,902</u>	<u>\$ (489,043)</u>
EXPENDITURES				
Current:				
Education	\$ 20,185,995	\$ 20,621,945	\$ 20,649,612	\$ (27,667)
Total expenditures	<u>\$ 20,185,995</u>	<u>\$ 20,621,945</u>	<u>\$ 20,649,612</u>	<u>\$ (27,667)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (516,710)</u>	<u>\$ (516,710)</u>
Net change in fund balances	\$ -	\$ -	\$ (516,710)	\$ (516,710)
Fund balances - beginning	-	-	1,424,534	1,424,534
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 907,824</u>	<u>\$ 907,824</u>

County of Grayson, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020

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	\$ 9,362,000	\$ 9,362,000	\$ 9,161,846	\$ (200,154)
Real and personal public service corporation taxes	240,000	240,000	307,229	67,229
Personal property taxes	2,300,000	2,300,000	1,805,976	(494,024)
Mobile home taxes	20,000	20,000	24,334	4,334
Machinery and tools taxes	150,000	150,000	287,502	137,502
Merchant's capital	28,000	28,000	40,402	12,402
Penalties	20,000	20,000	87,898	67,898
Interest	15,000	15,000	172,762	157,762
Total general property taxes	<u>\$ 12,135,000</u>	<u>\$ 12,135,000</u>	<u>\$ 11,887,949</u>	<u>\$ (247,051)</u>
Other local taxes:				
Local sales and use taxes	\$ 496,092	\$ 496,092	\$ 564,237	\$ 68,145
Consumption taxes	35,000	35,000	36,338	1,338
Consumers' utility taxes	340,000	340,000	344,259	4,259
Motor vehicle licenses	370,000	370,000	347,793	(22,207)
Recordation taxes	111,000	111,000	123,166	12,166
Hotel and motel room taxes	28,000	28,000	26,506	(1,494)
Bank stock tax	11,725	11,725	15,114	3,389
Total other local taxes	<u>\$ 1,391,817</u>	<u>\$ 1,391,817</u>	<u>\$ 1,457,413</u>	<u>\$ 65,596</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 6,500	\$ 6,500	\$ 3,861	\$ (2,639)
Zoning permits	2,700	2,700	1,525	(1,175)
Transfer fees	750	750	805	55
Erosion control	2,500	2,500	655	(1,845)
Building permits	60,000	60,000	50,738	(9,262)
Other permits	1,500	1,500	1,636	136
Total permits, privilege fees, and regulatory licenses	<u>\$ 73,950</u>	<u>\$ 73,950</u>	<u>\$ 59,220</u>	<u>\$ (14,730)</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 15,200	\$ 15,200	\$ 13,445	\$ (1,755)
Revenue from use of money and property:				
Revenue from use of money	\$ 100,000	\$ 100,000	\$ 57,697	\$ (42,303)
Revenue from use of property	4,500	4,500	3,240	(1,260)
Total revenue from use of money and property	<u>\$ 104,500</u>	<u>\$ 104,500</u>	<u>\$ 60,937</u>	<u>\$ (43,563)</u>
Charges for services:				
Charges for trash fees	\$ 1,610,000	\$ 1,610,000	\$ 1,546,073	\$ (63,927)
Charges for sanitation and waste removal	440,400	440,400	420,135	(20,265)
Charges for recycling	90,000	90,000	59,185	(30,815)
Charges for parks and recreation	55,000	55,000	28,914	(26,086)
Charges for courtroom security	-	-	9,025	9,025
Charges for Commonwealth's Attorney	2,000	2,000	5,109	3,109
Charges for courthouse maintenance	-	-	2,454	2,454
Charges for administration	8,250	8,400	57,495	49,095
Charges for law enforcement	6,100	6,100	8,335	2,235
Total charges for services	<u>\$ 2,211,750</u>	<u>\$ 2,211,900</u>	<u>\$ 2,136,725</u>	<u>\$ (75,175)</u>

County of Grayson, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020

Schedule 1
Page 2 of 5

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous:				
Other miscellaneous	\$ 24,158	\$ 90,142	\$ 182,265	\$ 92,123
Recovered costs:				
City of Galax	\$ 295,000	\$ 295,000	\$ 295,000	\$ -
School resource officer	36,000	36,000	36,000	-
Department of Social Services	40,000	40,000	36,966	(3,034)
Other recovered costs	42,000	42,000	42,000	-
Total recovered costs	\$ 413,000	\$ 413,000	\$ 409,966	\$ (3,034)
Total revenue from local sources	\$ 16,369,375	\$ 16,435,509	\$ 16,207,920	\$ (227,589)
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Mobile home titling tax	\$ 10,000	\$ 10,000	\$ 10,477	\$ 477
Recordation tax	27,637	27,637	20,752	(6,885)
Communication tax	350,000	350,000	315,514	(34,486)
Personal property tax relief funds	437,787	437,787	438,226	439
Total noncategorical aid	\$ 825,424	\$ 825,424	\$ 784,969	\$ (40,455)
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 315,674	\$ 315,674	\$ 330,987	\$ 15,313
Sheriff	1,019,918	1,019,918	1,038,542	18,624
Commissioner of revenue	89,259	89,259	89,173	(86)
Treasurer	102,113	102,113	94,002	(8,111)
Registrar/electoral board	47,563	47,563	51,669	4,106
Clerk of the Circuit Court	238,717	238,717	276,221	37,504
Total shared expenses	\$ 1,813,244	\$ 1,813,244	\$ 1,880,594	\$ 67,350
Other categorical aid:				
Public assistance and welfare administration	\$ 738,309	\$ 738,309	\$ 873,963	\$ 135,654
Children's services act	605,000	605,000	656,850	51,850
VJCCA	75,931	75,931	83,075	7,144
Fire programs	45,000	45,000	50,713	5,713
Victim witness	10,581	10,581	17,620	7,039
Law enforcement grants	82,500	82,500	80,165	(2,335)
Tourism grant	-	-	6,757	6,757
Litter grant	7,000	7,000	5,676	(1,324)
Emergency services grants	22,500	22,500	-	(22,500)
Asset forfeiture	-	-	14,360	14,360
Tobacco Commission grant	-	-	175,783	175,783
Art and humanity grants	4,500	4,500	4,500	-
Other state funds	350,000	356,317	4,326	(351,991)
Total other categorical aid	\$ 1,941,321	\$ 1,947,638	\$ 1,973,788	\$ 26,150
Total categorical aid	\$ 3,754,565	\$ 3,760,882	\$ 3,854,382	\$ 93,500
Total revenue from the Commonwealth	\$ 4,579,989	\$ 4,586,306	\$ 4,639,351	\$ 53,045

County of Grayson, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020

Schedule 1
Page 3 of 5

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of taxes	\$ 11,600	\$ 11,600	\$ 98,933	\$ 87,333
Categorical aid:				
Public assistance and welfare administration	\$ 1,165,989	\$ 1,165,989	\$ 1,380,225	\$ 214,236
Byrne justice assistance grant	7,984	7,984	7,984	-
Law enforcement grants	12,556	12,556	8,150	(4,406)
Children's services act	35,000	35,000	37,783	2,783
Community development block grant	-	-	6,525	6,525
Trail grants	-	-	9,883	9,883
Victim witness	59,900	59,900	91,940	32,040
COVID-19 Coronavirus Relief Fund	-	-	130,270	130,270
Total categorical aid	\$ 1,281,429	\$ 1,281,429	\$ 1,672,760	\$ 391,331
Total revenue from the federal government	\$ 1,293,029	\$ 1,293,029	\$ 1,771,693	\$ 478,664
Total General Fund	\$ 22,242,393	\$ 22,314,844	\$ 22,618,964	\$ 304,120
Special Revenue Fund:				
Economic Development Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 10,995	\$ 10,995
Revenue from the use of property	-	-	36,125	36,125
Total revenue from use of money and property	\$ -	\$ -	\$ 47,120	\$ 47,120
Miscellaneous:				
Other miscellaneous	\$ -	\$ -	\$ 21,840	\$ 21,840
Total Economic Development Fund	\$ -	\$ -	\$ 68,960	\$ 68,960
Total Primary Government	\$ 22,242,393	\$ 22,314,844	\$ 22,687,924	\$ 373,080

County of Grayson, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020

Schedule 1
Page 4 of 5

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 10,800	\$ 9,025	\$ 8,800	\$ (225)
Charges for services:				
Cafeteria sales	\$ 230,000	\$ 211,730	\$ 163,572	\$ (48,158)
Miscellaneous:				
Other miscellaneous	\$ 116,858	\$ 142,503	\$ 109,826	\$ (32,677)
Recovered costs:				
Dual credit recovered costs	\$ 240,000	\$ 241,232	\$ 241,232	\$ -
E-rate recovered costs	91,094	77,443	-	(77,443)
Other recovered costs	225,500	214,317	220,408	6,091
Total recovered costs	\$ 556,594	\$ 532,992	\$ 461,640	\$ (71,352)
Total revenue from local sources	\$ 914,252	\$ 896,250	\$ 743,838	\$ (152,412)
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Grayson, Virginia	\$ 5,681,350	\$ 5,465,723	\$ 5,465,423	\$ (300)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 2,228,894	\$ 2,274,136	\$ 2,274,136	\$ -
Basic school aid	4,825,192	5,014,901	5,014,901	-
Remedial summer education	85,862	67,080	67,080	-
Foster care	23,527	24,566	24,566	-
ISAEF	8,355	8,387	8,387	-
Gifted and talented	47,074	48,705	48,705	-
Remedial education	226,895	234,759	234,759	-
Jobs for VA graduates	25,000	25,000	25,000	-
Special education	591,244	611,737	611,737	-
Textbook payment	94,797	98,082	98,082	-
School nutrition	13,855	14,115	13,593	(522)
Vocational standards of quality payments	225,953	233,785	233,785	-
Social security fringe benefits	310,686	321,454	321,454	-
Retirement fringe benefits	684,450	708,173	708,173	-
Group life insurance fringe benefit	20,712	21,430	21,430	-
State lottery payments	342,932	356,531	356,531	-
Early reading intervention	19,669	34,966	34,966	-
Special education - Homebound	20,604	42,464	42,464	-
Special education - tuition	136,309	136,997	136,997	-
Salary supplement	313,777	311,059	311,059	-
At risk payments	343,854	355,944	355,944	-
At risk four year olds	119,942	107,534	107,534	-
Primary class size	240,368	257,094	257,094	-
Technology	412,000	412,000	206,000	(206,000)

County of Grayson, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020

Schedule 1
Page 5 of 5

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Industry certification cost	\$ 3,456	\$ 2,852	\$ 2,852	\$ -
English as a second language	12,756	12,756	12,756	-
Standards of Learning algebra readiness	26,587	26,587	29,187	2,600
National board certified teacher	10,000	15,000	15,000	-
Positive behavior grant	-	26,679	26,679	-
CTE	807	52,379	55,680	3,301
Project Graduation	3,608	3,608	3,608	-
Other categorical aid	46,563	88,738	85,436	(3,302)
Total categorical aid	\$ 11,465,728	\$ 11,949,498	\$ 11,745,575	\$ (203,923)
Total revenue from the Commonwealth	\$ 11,465,728	\$ 11,949,498	\$ 11,745,575	\$ (203,923)
Revenue from the federal government:				
Categorical aid:				
Forest reserve fund	\$ -	\$ 47,585	\$ 47,585	\$ -
Impact Aid	2,145	-	-	-
Title I	821,206	780,359	661,437	(118,922)
Title VI-B, special education flow-through	469,954	580,885	478,540	(102,345)
Title VI-B, special education pre-school	22,216	22,070	22,070	-
Migrant education	7,189	-	-	-
School nutrition grants	590,000	652,873	750,039	97,166
Student support and academic achievement	48,210	46,338	46,338	-
Supporting effective instruction	88,375	103,787	90,815	(12,972)
Perkins vocational education	44,384	46,165	57,560	11,395
Title VI, rural and low income school administration	30,986	30,412	23,682	(6,730)
Total categorical aid	\$ 2,124,665	\$ 2,310,474	\$ 2,178,066	\$ (132,408)
Total revenue from the federal government	\$ 2,124,665	\$ 2,310,474	\$ 2,178,066	\$ (132,408)
Total School Operating Fund	\$ 20,185,995	\$ 20,621,945	\$ 20,132,902	\$ (489,043)
Total Discretely Presented Component Unit - School Board	\$ 20,185,995	\$ 20,621,945	\$ 20,132,902	\$ (489,043)

County of Grayson, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020

Schedule 2
Page 1 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>
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 57,198	\$ 58,571	\$ 46,790	\$ 11,781
General and financial administration:				
County administrator	\$ 509,592	\$ 512,797	\$ 517,658	\$ (4,861)
Audit services	85,000	85,000	80,200	4,800
Legal services	25,000	25,000	16,465	8,535
Commissioner of revenue	274,803	274,827	257,697	17,130
Treasurer	368,300	368,340	365,409	2,931
Information technology	175,256	177,120	163,277	13,843
Other general and financial administration	46,280	46,280	4,140	42,140
Total general and financial administration	\$ 1,484,231	\$ 1,489,364	\$ 1,404,846	\$ 84,518
Board of elections:				
Electoral board and officials	\$ 77,821	\$ 78,480	\$ 72,564	\$ 5,916
Registrar	96,306	96,336	86,589	9,747
Total board of elections	\$ 174,127	\$ 174,816	\$ 159,153	\$ 15,663
Total general government administration	\$ 1,715,556	\$ 1,722,751	\$ 1,610,789	\$ 111,962
Judicial administration:				
Courts:				
Circuit court	\$ 26,706	\$ 26,706	\$ 13,197	\$ 13,509
General district court	8,635	8,938	6,744	2,194
Special magistrates	1,350	1,350	976	374
VJCCA	88,123	88,371	79,979	8,392
Law library	-	-	530	(530)
Victim witness	75,760	75,760	71,368	4,392
Clerk of the circuit court	425,525	428,632	387,298	41,334
Total courts	\$ 626,099	\$ 629,757	\$ 560,092	\$ 69,665
Commonwealth's attorney:				
Commonwealth's attorney	\$ 425,731	\$ 425,731	\$ 440,005	\$ (14,274)
Total judicial administration	\$ 1,051,830	\$ 1,055,488	\$ 1,000,097	\$ 55,391
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 2,374,749	\$ 2,557,874	\$ 2,617,422	\$ (59,548)
Fire and rescue services:				
Emergency operations	\$ 620,742	\$ 621,946	\$ 503,133	\$ 118,813
Twin County E911	187,120	187,120	187,120	-
Total fire and rescue services	\$ 807,862	\$ 809,066	\$ 690,253	\$ 118,813

County of Grayson, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020

Schedule 2
Page 2 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>
General Fund: (Continued)				
Public safety: (Continued)				
Correction and detention:				
New River Valley Regional Jail payments	\$ 1,000,000	\$ 1,006,317	\$ 731,842	\$ 274,475
New River Valley Juvenile Detention Center payments	57,800	60,000	32,420	27,580
Total correction and detention	<u>\$ 1,057,800</u>	<u>\$ 1,066,317</u>	<u>\$ 764,262</u>	<u>\$ 302,055</u>
Inspections:				
Building	\$ 186,618	\$ 198,082	\$ 164,690	\$ 33,392
Other protection:				
Animal warden	\$ 92,446	\$ 92,446	\$ 73,061	\$ 19,385
Day report	66,699	71,944	65,850	6,094
Medical examiner	500	500	160	340
Total other protection	<u>\$ 159,645</u>	<u>\$ 164,890</u>	<u>\$ 139,071</u>	<u>\$ 25,819</u>
Total public safety	<u>\$ 4,586,674</u>	<u>\$ 4,796,229</u>	<u>\$ 4,375,698</u>	<u>\$ 420,531</u>
Public works:				
Sanitation and waste removal:				
Refuse collection	\$ 920,255	\$ 925,914	\$ 855,893	\$ 70,021
Refuse disposal	450,000	480,009	391,298	88,711
Recycling program	145,931	150,148	133,118	17,030
Total sanitation and waste removal	<u>\$ 1,516,186</u>	<u>\$ 1,556,071</u>	<u>\$ 1,380,309</u>	<u>\$ 175,762</u>
Maintenance of general buildings and grounds:				
General properties	\$ 247,381	\$ 254,331	\$ 239,613	\$ 14,718
Public works	40,743	42,276	76,564	(34,288)
Jail building	23,840	24,707	21,137	3,570
Courthouse	136,899	139,455	112,961	26,494
Other buildings	29,067	29,176	8,680	20,496
Total maintenance of general buildings and grounds	<u>\$ 477,930</u>	<u>\$ 489,945</u>	<u>\$ 458,955</u>	<u>\$ 30,990</u>
Total public works	<u>\$ 1,994,116</u>	<u>\$ 2,046,016</u>	<u>\$ 1,839,264</u>	<u>\$ 206,752</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 178,770	\$ 178,770	\$ 178,770	\$ -
Behavioral health and development services:				
Mt. Rogers Community Services Board	\$ 41,200	\$ 41,200	\$ 41,200	\$ -
Welfare:				
Welfare administration and programs	\$ 2,448,311	\$ 2,448,311	\$ 2,568,181	\$ (119,870)
Children's services act	800,000	853,133	932,154	(79,021)
Area office on aging	14,711	14,711	14,711	-
Total welfare	<u>\$ 3,263,022</u>	<u>\$ 3,316,155</u>	<u>\$ 3,515,046</u>	<u>\$ (198,891)</u>
Total health and welfare	<u>\$ 3,482,992</u>	<u>\$ 3,536,125</u>	<u>\$ 3,735,016</u>	<u>\$ (198,891)</u>

County of Grayson, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020

Schedule 2
Page 3 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>
General Fund: (Continued)				
Education:				
Other instructional costs:				
Contribution to Community College	\$ 20,355	\$ 20,355	\$ 19,412	\$ 943
Contribution to County School Board	5,465,423	5,465,423	5,465,423	-
Total education	\$ 5,485,778	\$ 5,485,778	\$ 5,484,835	\$ 943
Parks, recreation, and cultural:				
Parks and recreation:				
Recreation	\$ 235,320	\$ 239,778	\$ 137,452	\$ 102,326
Library:				
Contribution to regional library	\$ 324,455	\$ 324,455	\$ 324,455	\$ -
Total parks, recreation, and cultural	\$ 559,775	\$ 564,233	\$ 461,907	\$ 102,326
Community development:				
Planning and community development:				
Planning and zoning	\$ 79,998	\$ 80,433	\$ 65,531	\$ 14,902
Tourism development	54,339	69,937	69,985	(48)
Twin county airport	53,560	53,560	56,320	(2,760)
Multi-flora rose	500	500	120	380
Economic development	1,204,183	1,210,736	362,552	848,184
Other community development	84,100	84,164	56,950	27,214
Total planning and community development	\$ 1,476,680	\$ 1,499,330	\$ 611,458	\$ 887,872
Environmental management:				
Contribution to soil and water district	\$ 5,500	\$ 5,500	\$ 5,500	\$ -
Storm water maintenance	10,230	10,230	5,315	4,915
Total environmental management	\$ 15,730	\$ 15,730	\$ 10,815	\$ 4,915
Cooperative extension program:				
Extension office	\$ 128,541	\$ 130,173	\$ 113,361	\$ 16,812
Total community development	\$ 1,620,951	\$ 1,645,233	\$ 735,634	\$ 909,599
Capital projects:				
Recreational trails	\$ 8,329	\$ 8,329	\$ 8,329	\$ -
School buses capital lease	-	-	453,066	(453,066)
Recreational field lights capital lease	-	-	223,290	(223,290)
Industrial park site	170,000	170,000	170,000	-
Roofing projects	-	-	202,100	(202,100)
Other capital projects	117,613	136,127	72,915	63,212
Total capital projects	\$ 295,942	\$ 314,456	\$ 1,129,700	\$ (815,244)
Debt service:				
Principal retirement	\$ 986,046	\$ 986,046	\$ 990,528	\$ (4,482)
Interest and other fiscal charges	462,733	462,733	464,044	(1,311)
Total debt service	\$ 1,448,779	\$ 1,448,779	\$ 1,454,572	\$ (5,793)
Total General Fund	\$ 22,242,393	\$ 22,615,088	\$ 21,827,512	\$ 787,576

County of Grayson, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020

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>
Special Revenues Funds:				
Economic Development Fund				
Community Development:				
Economic development	\$ -	\$ -	\$ 21,840	\$ (21,840)
Total economic development	\$ -	\$ -	\$ 21,840	\$ (21,840)
Total community development	\$ -	\$ -	\$ 21,840	\$ (21,840)
Total Economic Development Fund	\$ -	\$ -	\$ 21,840	\$ (21,840)
Total Primary Government	\$ 22,242,393	\$ 22,615,088	\$ 21,849,352	\$ 765,736
Discretely Presented Component Unit - School Board				
School Operating Fund:				
Education:				
Administration of schools:				
Administration, attendance and health	\$ 1,066,247	\$ 1,186,854	\$ 1,155,837	\$ 31,017
Instructional costs:				
Classroom instruction	\$ 13,672,785	\$ 13,881,445	\$ 13,848,822	\$ 32,623
Operating costs:				
School cafeteria operations	\$ 987,750	\$ 979,106	\$ 1,047,661	\$ (68,555)
Pupil transportation	1,613,021	1,474,547	1,483,913	(9,366)
Operation and maintenance of school plant	1,959,116	2,196,332	2,211,251	(14,919)
Technology	887,076	903,661	902,128	1,533
Total operating costs	\$ 5,446,963	\$ 5,553,646	\$ 5,644,953	\$ (91,307)
Total Education	\$ 20,185,995	\$ 20,621,945	\$ 20,649,612	\$ (27,667)
Total Discretely Presented Component Unit - School Board	\$ 20,185,995	\$ 20,621,945	\$ 20,649,612	\$ (27,667)

Other Statistical Information

Table 1

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Development	Interest on Long-Term Debt	Public Service Authority	Total
2019-20	\$ 1,777,753	\$ 990,449	\$ 4,122,541	\$ 2,102,385	\$ 3,780,733	\$ 6,102,480	\$ 407,788	\$ 817,271	\$ 390,591	\$ 331,640	\$ 20,823,631
2018-19	1,617,064	935,359	4,029,927	2,069,853	3,579,973	6,286,883	569,100	1,160,240	538,345	315,022	21,101,766
2017-18	1,458,826	1,056,799	4,527,923	1,874,082	3,439,152	6,497,246	518,306	1,127,597	452,581	315,932	21,268,444
2016-17	1,347,040	988,337	4,130,658	1,833,305	2,757,910	6,166,623	479,298	1,168,881	487,320	313,773	19,673,145
2015-16	1,221,223	738,367	3,756,030	1,684,005	2,568,994	5,768,172	566,508	841,802	484,527	251,679	17,881,307
2014-15	1,427,523	834,684	3,434,969	1,826,856	2,866,899	6,361,306	446,006	2,989,423	602,957	242,411	21,033,034
2013-14	1,162,628	852,464	3,402,712	1,725,831	2,827,869	5,668,170	441,542	757,907	612,569	256,916	17,708,608
2012-13	979,020	791,486	3,265,425	1,297,578	2,563,894	4,980,545	471,473	764,628	641,036	278,561	16,033,646
2011-12	1,008,351	773,326	3,160,218	1,199,271	2,562,695	5,169,448	413,036	724,623	544,422	263,930	15,819,320
2010-11	1,086,469	789,512	2,991,393	1,326,795	2,377,040	4,960,032	451,087	703,919	665,468	250,913	15,602,628

Table 2

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

Fiscal Year	PROGRAM REVENUES				GENERAL REVENUES					
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		General Property Taxes	Other Local Taxes	Unrestricted Revenues from Use of Money & Property	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs	Total
2019-20	\$ 2,434,652	\$ 5,517,259	\$ 24,883	\$	\$ 12,333,841	\$ 1,457,413	\$ 108,057	\$ 204,105	\$ 883,902	\$ 22,964,112
2018-19	2,010,936	5,019,848	509,056		10,825,412	1,272,947	143,375	176,525	905,828	20,863,927
2017-18	2,014,046	5,143,093	9,801		12,202,158	1,257,026	138,902	248,750	922,019	21,935,795
2016-17	2,010,029	4,674,073	550,267		10,051,720	1,251,842	105,301	276,787	871,750	19,791,769
2015-16	1,892,199	4,075,141	519,113		10,051,393	1,237,656	54,782	128,790	871,626	18,830,700
2014-15	1,873,127	6,416,998	117,736		9,952,630	1,216,759	13,685	199,924	833,385	20,624,244
2013-14	1,839,717	4,226,419	295,086		9,860,779	1,176,665	15,948	159,300	887,267	18,461,181
2012-13	1,917,268	2,853,619	-		9,882,433	1,168,873	55,428	172,230	890,996	16,940,847
2011-12	1,892,336	3,702,651	77,814		9,854,958	1,207,281	49,575	223,235	858,516	17,866,366
2010-11	1,774,251	3,530,700	1,130,667		9,705,791	1,187,265	46,102	116,907	901,066	18,392,749

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
2019-20	\$ 1,610,789	\$ 1,000,097	\$ 4,375,698	\$ 1,839,264	\$ 3,735,016	\$ 20,669,024	\$ 461,907	\$ 757,474	\$ 1,454,572	\$ 35,903,841
2018-19	1,547,977	994,811	4,411,831	1,808,399	3,691,791	19,746,155	555,025	1,154,434	1,905,027	35,815,450
2017-18	1,580,318	1,038,752	4,517,536	1,802,003	3,542,794	20,328,800	503,949	967,379	2,274,565	36,556,096
2016-17	1,467,391	943,616	4,320,257	1,686,457	2,814,099	19,980,386	449,665	1,047,077	1,343,950	34,052,898
2015-16	1,570,382	863,080	4,008,618	1,669,383	2,671,830	18,834,455	437,924	772,224	1,279,515	32,107,411
2014-15	1,674,343	824,504	3,599,711	1,800,178	2,997,266	21,203,761	437,609	2,954,436	1,516,865	37,008,673
2013-14	1,334,380	846,279	3,625,690	1,689,509	2,900,826	21,562,711	440,943	770,461	625,865	33,796,664
2012-13	1,222,809	786,241	3,240,572	1,497,117	2,569,675	22,071,949	462,165	700,556	18,773,245	51,324,329
2011-12	1,217,199	763,200	3,230,783	1,403,871	2,578,416	20,668,911	432,114	669,680	19,077,039	50,041,213
2010-11	1,293,198	781,229	2,897,363	2,123,915	2,367,933	22,516,521	494,889	657,763	2,438,853	35,571,664

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

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

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
2019-20	\$ 11,887,949	\$ 1,457,413	\$ 59,220	\$ 13,445	\$ 116,857	\$ 2,300,297	\$ 313,931	\$ 871,606	\$ 20,334,685	\$ 37,355,403
2018-19	10,769,991	1,272,947	64,413	20,376	154,175	1,918,831	374,356	1,108,834	20,027,736	35,711,659
2017-18	11,774,326	1,257,026	76,829	24,983	141,658	1,915,555	368,634	1,353,700	19,868,074	36,780,785
2016-17	10,191,512	1,251,842	78,610	19,792	108,015	1,932,915	315,877	1,031,393	20,055,326	34,985,282
2015-16	10,066,617	1,237,656	73,401	13,803	55,263	1,825,435	226,586	937,777	17,881,553	32,318,091
2014-15	9,742,742	1,216,759	76,772	20,858	13,712	1,855,831	328,596	1,078,855	21,666,780	36,000,905
2013-14	9,911,906	1,176,665	87,650	20,089	15,739	1,795,200	624,288	962,323	20,508,525	35,102,385
2012-13	9,677,846	1,168,873	84,070	27,735	54,947	1,972,939	814,140	309,270	21,335,715	35,445,535
2011-12	9,717,645	1,207,281	87,487	22,033	49,129	1,917,259	681,914	336,497	19,905,626	33,924,871
2010-11	9,648,978	1,187,265	94,520	45,467	44,236	1,845,497	623,520	308,528	21,810,779	35,608,790

(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
2019-20	\$ 12,310,378	\$ 10,633,218	86.38%	\$ 994,071	11,627,289	94.45%	\$ 2,112,848	17.16%
2018-19	10,513,631	9,434,854	89.74%	1,036,369	10,471,223	99.60%	1,841,477	17.52%
2017-18	12,301,485	10,875,900	88.41%	615,601	11,491,501	93.42%	1,843,214	14.98%
2016-17	9,924,601	9,312,581	93.83%	658,611	9,971,192	100.47%	1,323,643	13.34%
2015-16	9,826,512	9,146,131	93.08%	650,180	9,796,311	99.69%	1,344,578	13.68%
2014-15	9,748,700	9,128,324	93.64%	477,081	9,605,405	98.53%	1,438,969	14.76%
2013-14	9,758,039	9,058,301	92.83%	507,328	9,565,629	98.03%	1,318,247	13.51%
2012-13	9,765,219	9,065,028	92.83%	411,738	9,476,766	97.05%	1,263,967	12.94%
2011-12	9,627,917	9,064,047	94.14%	446,328	9,510,375	98.78%	1,024,867	10.64%
2010-11	9,632,648	9,067,919	94.14%	411,546	9,479,465	98.41%	949,816	9.86%

(1) Exclusive of penalties and interest.

(2) Fiscal year 2018 included a change in due date for personal property resulting in two years of levies.

(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	Personal Property		
2019-20	\$ 1,670,223,100	\$ 130,022,384	\$ 499,532	\$ 13,025,501	\$ 54,863,799	\$ -	\$ -	1,868,634,316
2018-19	1,664,078,600	127,786,990	796,294	21,724,721	51,516,064	-	-	1,865,902,669
2017-18	1,663,763,300	254,155,821	1,716,629	28,317,329	53,498,280	-	-	2,001,451,359
2016-17	1,661,250,900	113,102,005	458,676	11,169,205	49,120,441	-	-	1,835,101,227
2015-16	1,677,434,500	100,886,499	658,664	9,507,998	53,443,671	-	-	1,841,931,332
2014-15	1,675,444,500	99,452,456	634,712	8,222,871	46,905,446	-	-	1,830,659,985
2013-14	1,669,670,500	95,817,181	658,976	8,774,792	41,073,315	-	-	1,815,994,764
2012-13	1,665,125,300	97,851,316	646,211	7,123,835	42,014,145	49,425	49,425	1,812,810,232
2011-12	1,658,580,400	97,342,296	601,363	6,638,371	38,897,071	65,145	65,145	1,802,124,646
2010-11	1,655,566,400	98,196,863	493,893	8,481,414	35,439,899	61,188	61,188	1,798,239,657

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

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

(3) Fiscal year 2018 included a change in due date for personal property resulting in two years of assessments.

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
2019-20	\$ 0.56	\$ 2.25	\$ 2.25	\$ 6.70
2018-19	0.49	1.75	1.75	6.70
2017-18	0.49	1.75	1.75	6.70
2016-17	0.49	1.75	1.75	6.70
2015-16	0.49	1.75	1.75	6.70
2014-15	0.49	1.75	1.75	6.70
2013-14	0.49	1.75	1.75	6.70
2012-13	0.49	1.75	1.75	6.70
2011-12	0.49	1.75	1.75	6.70
2010-11	0.49	1.75	1.75	6.70

(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
2019-20	15,665	\$ 1,865,903	\$ 13,464,600	\$ 13,464,600	0.72%	\$ 860
2018-19	15,665	1,865,903	14,415,440	14,415,440	0.77%	920
2017-18	15,665	2,001,451	14,654,904	14,654,904	0.73%	936
2016-17	15,533	1,835,101	14,864,703	14,864,703	0.81%	957
2015-16	15,533	1,841,931	15,478,753	15,478,753	0.84%	997
2014-15	15,533	1,830,660	16,072,090	16,072,090	0.88%	1,035
2013-14	15,533	1,815,995	16,894,524	16,894,524	0.93%	1,088
2012-13	15,533	1,812,810	16,974,620	16,974,620	0.94%	1,093
2011-12	15,533	1,802,125	19,033,426	19,033,426	1.06%	1,225
2010-11	15,533	1,798,240	19,509,496	19,509,496	1.08%	1,256

(1) Bureau of the Census.

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

(3) Includes all long-term general obligation bonded debt, bonded anticipation notes, lease revenue notes and literary fund loans.
Excludes revenue bonds, landfill closure/post-closure liability, capital leases, net pension/OPEB liabilities, 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
2019-20	\$ 990,528	\$ 464,044	\$ 1,454,572	\$ 35,903,841	4.05%
2018-19	1,060,011	845,016	1,905,027	35,815,450	5.32%
2017-18	1,619,450	655,115	2,274,565	36,556,096	6.22%
2016-17	655,868	688,082	1,343,950	34,052,898	3.95%
2015-16	595,860	683,655	1,279,515	32,107,411	3.99%
2014-15	822,434	694,431	1,516,865	37,008,673	4.10%
2013-14	112,865	513,000	625,865	33,796,664	1.85%
2012-13 (3)	18,009,866	763,379	18,773,245	51,324,329	36.58%
2011-12 (2)	18,434,255	642,784	19,077,039	50,041,213	38.12%
2010-11	2,358,145	392,389	2,750,534	35,571,664	7.73%

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

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

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

COMPLIANCE SECTION

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit-School Board, each major fund, and the aggregate remaining fund information of the County of Grayson, Virginia, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the County of Grayson, Virginia's basic financial statements, and have issued our report thereon dated January 4, 2021.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs, as item 2020-001, that we consider to be a material weakness.

Compliance and Other Matters

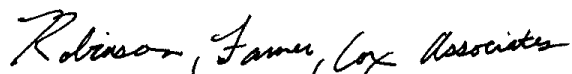
As part of obtaining reasonable assurance about whether County of Grayson, Virginia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct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

County of Grayson, Virginia's Response to Finding

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

Purpose of this Report

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



Blacksburg, Virginia
January 4, 2021

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

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

Report on Compliance for Each Major Federal Program

We have audited County of Grayson, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of County of Grayson, Virginia's major federal programs for the year ended June 30, 2020. 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.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, County of Grayson, Virginia, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control over Compliance

Management of County of Grayson, Virginia, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered County of Grayson, Virginia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of County of Grayson, 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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



Blacksburg, Virginia
January 4, 2021

County of Grayson, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

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>			
MaryLee Allen Promoting Safe and Stable Families Program	93.556	0950018, 0950119	\$ 8,132
Temporary Assistance for Needy Families	93.558	0400119, 0400120	157,504
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	0500120	257
Low-Income Home Energy Assistance	93.568	0600419, 0600420	30,654
Child Care and Development Fund Cluster:			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760119, 0760120	29,934
Adoption and Legal Guardianship Incentive Payments	93.603	1130117	4,983
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900118, 0900119	367
Foster Care - Title IV-E	93.658	1100119, 1100120	211,628
Adoption Assistance	93.659	1120119, 1120120	274,221
Social Services Block Grant	93.667	1000119, 1000120	170,762
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	9150119, 9150120	3,328
Medicaid Cluster:			
Medical Assistance Program	93.778	1200119, 1200120	261,882
Children's Health Insurance Program	93.767	0540119, 0540120	3,928
Total Department of Health and Human Services			\$ 1,157,580
Department of Agriculture:			
Pass Through Payments:			
<i>Child Nutrition Cluster:</i>			
<i>Department of Agriculture:</i>			
Food Distribution (Note 3)	10.555	Not available	\$ 65,648
<i>Department of Education:</i>			
COVID-19 National School Lunch Program	10.555	APE40254	28,393
National School Lunch Program	10.555	APE40254	334,434
COVID-19 School Breakfast Program	10.553	APE40253	\$ 9,896
School Breakfast Program	10.553	APE40253	129,886
Summer Food Service Program for Children	10.559	APE60302	\$ 6,974
COVID-19 Summer Food Service Program for Children	10.559	APE60302	172,339
<i>Total Child Nutrition Cluster</i>			\$ 747,570
<i>Department of Education:</i>			
Child Nutrition Discretionary Grants Limited Availability	10.579	APE40622	2,469
<i>Forest Service Schools and Roads Cluster:</i>			
Schools and Roads - Grants to States	10.665	APE43841	47,585
<i>Department of Social Services:</i>			
SNAP Cluster:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010119, 0010120 0040119, 0040120	260,428
Total Department of Agriculture			\$ 1,058,052
Department of Justice:			
Pass Through Payments:			
<i>Department of Criminal Justice Service:</i>			
Bulletproof Vest Partnership Program	16.607	Not available	\$ 330
State Criminal Alien Assistance Program	16.606	2020-AP-BX-1136	6,317
Edward Byrne Memorial Justice Assistance Grant Program	16.738	Not available	1,667
Crime Victim Assistance	16.575	18VAGX0011, 17VAGX0018	91,940
Total Department of Justice			\$ 100,254
Department of Transportation:			
Pass Through Payments:			
<i>Department of Motor Vehicles:</i>			
Alcohol Open Container Requirements	20.607	154AL-2019-59404-9404 154AL-2020-50066-20066	\$ 7,820
<i>Highway Planning and Construction Cluster</i>			
<i>Department of Transportation:</i>			
Highway Planning and Construction	20.205	EN18-038-786, P101	9,883
Total Department of Transportation			\$ 17,703
Department of Treasury:			
Pass Through Payments:			
<i>Virginia Department of Accounts:</i>			
COVID-19 Coronavirus Relief Fund	21.019	SLT0022	\$ 130,270

County of Grayson, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020 (Continued)

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Education:			
Pass Through Payments:			
Department of Education:			
Special Education Cluster:			
Special Education - Preschool Grants	84.173	APE62521	\$ 22,070
Special Education - Grants to States	84.027	APE43071	478,540
Total Special Education Cluster			\$ 500,610
Title I: Grants to Local Educational Agencies	84.010	APE42901	661,437
Career and Technical Education - Basic Grants to States	84.048	APE61095	57,560
Rural Education	84.358	APE43481	23,682
Supporting Effective Instruction State Grants	84.367	APE61480	90,815
Student Support and Academic Enrichment Program	84.424	APE60281	46,338
Total Department of Education			\$ 1,380,442
Department of Housing and Urban Development:			
Pass Through Payments:			
Department of Housing and Community Development:			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	HCD50790	\$ 6,525
Total Expenditures of Federal Awards			\$ 3,850,826

Notes to Schedule of Expenditures of Federal Awards

Note 1 -- Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the County of Grayson, Virginia, its blended component units Grayson County Public Service Authority and Grayson County Economic Development Authority, and its discretely presented component unit - School Board under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County of Grayson, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County of Grayson, Virginia.

Note 2 -- Summary of Significant Accounting Policies

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Pass-through entity identifying numbers are presented where available.
- (3) The County did not elect to use the 10 percent de minimis indirect cost rate because they only request direct costs for reimbursement.
- (4) The County did not have any loans or loan guarantees which are subject to reporting requirements for the year.

Note 3 -- Food Donation

Nonmonetary assistance is reported in the schedule at the fair market value of commodities received and disbursed. At June 30, 2020, the County had no food commodities in inventory.

Note 4 -- Subrecipients

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

Note 5 -- COVID-19 PPE

The County did not receive any donated personal protective equipment (PPE) during the fiscal year.

Note 6 -- Relationship to the Financial Statements:

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$ 1,771,693
Less: Payment in lieu of taxes	(98,933)

Total primary government	\$ 1,672,760
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Component Unit School Board:

School Operating Fund	\$ 2,178,066
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Total expenditures of federal awards per basic financial statements	\$ 3,850,826
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County of Grayson, Virginia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020

Section I - Summary of Auditors' Results**Financial Statements**

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

Federal Awards

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

Identification of major programs:

CFDA #	Name of Federal Program or Cluster
10.561	SNAP Cluster
10.553/10.555/10.559	Child Nutrition Cluster
84.027/84.173	Special Education Cluster
93.659	Adoption Assistance

Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
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Auditee qualified as low-risk auditee?	No
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County of Grayson, Virginia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020

Section II - Financial Statement Findings

2020-001

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

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

Cause of Condition: The County and School Board have had numerous changes in the financial reporting processes including software, staffing, and consultants. These items resulted in the auditors proposing material adjustments.

Effect of Condition: There is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected by the entity's internal controls over financial reporting.

Recommendation: The County and School Board should continue to improve monthly reconciliations and work with the consulting firm to ensure financials as provided for audit are materially correct.

Management's Response: The County and School Board will continue to improve on the understanding and review of the financial information prior to providing same to the auditors for next year.

Section III - Federal Award Findings and Questioned Costs

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

Section IV - Status of Prior Audit Findings

The prior audit finding 2019-001 recurred in the current year as 2020-001.