

COUNTY OF GRAYSON, VIRGINIA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

COUNTY OF GRAYSON, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2015

TABLE OF CONTENTS

INTRODUCTORY SECTION

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

FINANCIAL SECTION

| | |
|--|------|
| Independent Auditors' Report | 2-4 |
| Management's Discussion and Analysis | 5-13 |

| | | |
|---|----------------|-------------|
| | <u>Exhibit</u> | <u>Page</u> |
| Basic Financial Statements: | | |
| Government-wide Financial Statements: | | |
| Statement of Net Position | 1 | 14 |
| Statement of Activities | 2 | 15 |
| Fund Financial Statements: | | |
| Balance Sheet - Governmental Funds | 3 | 16 |
| Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position | 4 | 17 |
| Statement of Revenues, Expenditures and Change in Fund Balances - Governmental Funds | 5 | 18 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 6 | 19 |
| Statement of Net Position - Proprietary Funds | 7 | 20 |
| Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds | 8 | 21 |
| Statement of Cash Flows - Proprietary Funds | 9 | 22 |
| Statement of Fiduciary Net Position - Fiduciary Funds | 10 | 23 |
| Notes to Financial Statements | | 24-78 |

Required Supplementary Information:

| | | |
|--|----|----|
| Schedule of Revenues, Expenditures and Change in Fund Balances - Budget and Actual: | | |
| General Fund | 11 | 79 |
| Special Revenue Fund-Economic Development | 12 | 80 |
| Schedule of OPEB Funding Progress | 13 | 81 |
| Schedules Related to Pension Funding: | | |
| Schedule of Employer's Proportionate Share of Net Pension Liability | 14 | 82 |
| Schedule of Components of and Changes in Net Pension Liability and Related Ratios .. | 15 | 83 |
| Schedule of Employer Contributions | 16 | 84 |
| Notes to Required Supplementary Information | 17 | 85 |

COUNTY OF GRAYSON, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2015

TABLE OF CONTENTS (CONTINUED)

FINANCIAL SECTION (Continued)

| | <u>Exhibit</u> | <u>Page</u> |
|--|----------------|-------------|
| Other Supplementary Information: | | |
| Combining Statement of Fiduciary Net Position - Fiduciary Funds..... | 18 | 86 |
| Combining Statement of Changes in Assets and Liabilities - Agency Funds..... | 19 | 87 |
| Discretely Presented Component Unit - School Board: | | |
| Balance Sheet | 20 | 88 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances | | |
| Governmental Funds | 21 | 89 |
| Schedule of Revenues, Expenditures, and Changes in Fund Balances - | | |
| Budget and Actual | 22 | 90 |

| | <u>Schedule</u> | <u>Page</u> |
|---|-----------------|-------------|
| Supporting Schedules: | | |
| Schedule of Revenues - Budget and Actual-Governmental Funds | 1 | 91-94 |
| Schedule of Expenditures - Budget and Actual-Governmental Funds | 2 | 95-97 |

Statistical Information:

| | <u>Table</u> | <u>Page</u> |
|--|--------------|-------------|
| Government-wide information: | | |
| Government-wide Expenses by Function..... | 1 | 98 |
| Government-wide Revenues | 2 | 99 |
| Fund information: | | |
| General Governmental Expenditures by Function | 3 | 100 |
| General Governmental Revenues by Source | 4 | 101 |
| Property Tax Levies and Collections..... | 5 | 102 |
| Assessed Value of Taxable Property | 6 | 103 |
| Property Tax Rates | 7 | 104 |
| Ratio of Net General Bonded Debt to Assessed Value and Net Bonded | | |
| Debt Per Capita | 8 | 105 |
| Ratio of Annual Debt Service Expenditures for General Bonded Debt to | | |
| Total General Governmental Expenditures..... | 9 | 106 |

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> | 107-108 |
| Independent Auditors' Report on Compliance for Each Major Program and Internal Control over Compliance Required by OMB Circular A-133 | 109-110 |
| Schedule of Expenditures of Federal Awards..... | 111-112 |
| Schedule of Findings and Questioned Costs..... | 113-114 |

INTRODUCTORY SECTION

COUNTY OF GRAYSON, VIRGINIA

BOARD OF SUPERVISORS

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

COUNTY SCHOOL BOARD

| | | |
|------------------------------|-----------------------|-----------------|
| Shannon Holdaway, Vice Chair | Larry Bartlett, Chair | Fred Weatherman |
| Gary Burris | | Wynn J. Combs |

SOCIAL SERVICES BOARD

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

OTHER OFFICIALS

| | |
|---|-------------------|
| Clerk of the Circuit Court | Susan Herrington |
| Commonwealth's Attorney | Douglas Vaught |
| Commissioner of the Revenue..... | Larry D. Bolt |
| Treasurer | R. Kelly Haga |
| Sheriff | Richard Vaughan |
| Interim Superintendent of Schools | Larry Massie |
| Director of Social Services | Anthony Isom |
| County Administrator | Jonathan D. Sweet |

FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Grayson, Virginia, as of and for the year ended June 30, 2015, 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, Virginia, as of June 30, 2015, 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.

Change in Accounting Principle

As described in Note 23 to the financial statements, in 2015, the County adopted new accounting guidance, GASB Statement Nos. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 5-13, 79-80, and 81-85, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Grayson, Virginia's basic financial statements. The introductory section, other supplementary information, and statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2015, on our consideration of the County of Grayson, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of Grayson, Virginia's internal control over financial reporting and compliance.

Robinson, Turner, Cox Associates

Blacksburg, Virginia
December 22, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

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, 2015. 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 \$10,849,107 (net position). Of this amount, \$5,364,139 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 \$2,294,473 (net position). Of this amount, \$120,352 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 (14,117,999) (net position). Of this amount \$(17,954,132) was considered unrestricted.
- As of the close of the current fiscal year, the County's funds reported combined ending fund balances of \$10,263,771. Of this amount, \$6,749,529 was considered unassigned, \$37,765 was considered nonspendable, \$2,135,862 was considered assigned, \$1,018,857 was considered committed, and \$321,758 was considered restricted.
- During the fiscal year, the County had a change in net position of \$(1,008,472) for governmental activities, \$599,682 for business-type activities, and \$315,354 for the School Board component unit. For the governmental activities, the expenses and net transfers exceeded the revenues for the fiscal year. For the business-type activities and the School Board component unit, the revenues and net transfers exceeded the expenses for the fiscal year.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

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, 2015

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, 2015

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 \$10,849,107 at the close of the most recent fiscal year.

A significant portion of the County's net position, \$5,163,210, 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 \$321,758, is subject to restrictions on how it may be used. The remaining balance of net position of \$5,364,139 may be used to meet the County's ongoing obligations.

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COUNTY OF GRAYSON, VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

Overview of the Financial Statements (Continued)

The following table summarizes the County's Statement of Net Position and Statement of Activities for 2015 and 2014:

| Table 1 | | | | | | |
|----------------------------------|-------------------------|------------|--------------------------|-----------|--------------------------|------------|
| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
| | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 |
| Current Assets | 23,855,235 | 22,659,757 | 108,740 | 151,285 | 23,963,975 | 22,811,042 |
| Capital Assets | 23,610,374 | 23,260,134 | 2,200,953 | 2,213,043 | 25,811,327 | 25,473,177 |
| Total Assets | 47,465,609 | 45,919,891 | 2,309,693 | 2,364,328 | 49,775,302 | 48,284,219 |
| Deferred Outflow of Resources | - | 687,820 | - | - | - | 687,820 |
| Current Liabilities | 1,410,202 | 1,680,529 | 47,826 | 34,260 | 1,458,028 | 1,714,789 |
| Long-Term Liabilities | 18,801,071 | 22,484,800 | 567,076 | 35,595 | 19,368,147 | 22,520,395 |
| Total Liabilities | 20,211,273 | 24,165,329 | 614,902 | 69,855 | 20,826,175 | 24,235,184 |
| Deferred Inflows of Resources | 10,334,058 | 11,593,275 | - | - | 10,334,058 | 11,593,275 |
| Net Position: | | | | | | |
| Net Investment in Capital Assets | 4,608,477 | 5,163,210 | 1,613,887 | 2,174,121 | 6,222,364 | 7,337,331 |
| Restricted | 378,487 | 321,758 | - | - | 378,487 | 321,758 |
| Unrestricted | 11,933,314 | 5,364,139 | 80,904 | 120,352 | 12,014,218 | 5,484,491 |
| Total Net Position | 16,920,278 | 10,849,107 | 1,694,791 | 2,294,473 | 18,615,069 | 13,143,580 |

* Fiscal Year 2014 amounts do not reflect the restatement resulting from the implementation of GASB No. 68, as not all information was available.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**
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 | |
|------------------------------------|----------------------------|-------------|-----------------------------|-----------|-----------------------------|------------|
| | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 |
| Charges for Services | 1,653,952 | 1,701,960 | 185,765 | 171,167 | 1,839,717 | 1,873,127 |
| Operating Grants/Contributions | 4,226,419 | 6,416,998 | - | - | 4,226,419 | 6,416,998 |
| Capital Grants/Contributions | 241,752 | 6,520 | 53,334 | 111,216 | 295,086 | 117,736 |
| Program Revenues | 6,122,123 | 8,125,478 | 239,099 | 282,383 | 6,361,222 | 8,407,861 |
| Taxes | 11,037,444 | 11,169,389 | - | - | 11,037,444 | 11,169,389 |
| Interest Income | 15,948 | 13,685 | - | - | 15,948 | 13,685 |
| Miscellaneous | 159,300 | 199,924 | - | - | 159,300 | 199,924 |
| Grants not restricted to program | 887,267 | 833,385 | - | - | 887,267 | 833,385 |
| General Revenues | 12,099,959 | 12,216,383 | - | - | 12,099,959 | 12,216,383 |
| Total Revenues | 18,222,082 | 20,341,861 | 239,099 | 282,383 | 18,461,181 | 20,624,244 |
| General Government | 1,162,628 | 1,427,523 | - | - | 1,162,628 | 1,427,523 |
| Judicial Administration | 852,464 | 834,684 | - | - | 852,464 | 834,684 |
| Public Safety | 3,402,712 | 3,434,969 | - | - | 3,402,712 | 3,434,969 |
| Public Works | 1,725,831 | 1,826,856 | - | - | 1,725,831 | 1,826,856 |
| Health and Welfare | 2,827,869 | 2,866,899 | - | - | 2,827,869 | 2,866,899 |
| Education | 5,668,170 | 6,361,306 | - | - | 5,668,170 | 6,361,306 |
| Parks, Recreation, Cultural | 441,542 | 446,006 | - | - | 441,542 | 446,006 |
| Community Development | 757,907 | 2,989,423 | - | - | 757,907 | 2,989,423 |
| Interest on long-term debt | 612,569 | 602,957 | - | - | 612,569 | 602,957 |
| Water authority | - | - | 256,916 | 242,411 | 256,916 | 242,411 |
| Total Expenses | 17,451,692 | 20,790,623 | 256,916 | 242,411 | 17,708,608 | 21,033,034 |
| Transfers | (70,903) | (559,710) | 70,903 | 559,710 | - | - |
| Change in Net Position | 699,487 | (1,008,472) | 53,086 | 599,682 | 752,573 | (408,790) |
| Beginning Net Position as restated | 16,220,791 | 11,857,579 | 1,641,705 | 1,694,791 | 17,862,496 | 13,552,370 |
| Ending Net Position | 16,920,278 | 10,849,107 | 1,694,791 | 2,294,473 | 18,615,069 | 13,143,580 |

* Fiscal Year 2014 amounts do not reflect the restatement resulting from the implementation of GASB No. 68, as not all information was available.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

Financial Analysis of the County's Funds

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

Governmental Funds - The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a County's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$10,263,771; \$321,758 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 \$1,018,857 has been committed by action of the Board of Supervisors and \$2,135,862 has been assigned by the Board of Supervisors. The remaining balance, \$6,749,529 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 \$9,383,639 of this amount \$6,749,529 was considered unassigned. The Economic Development Fund's entire fund balance of \$880,132 was committed.

Total governmental fund revenues increased \$1,888,332 and expenditures increased \$4,382,564 over prior fiscal year amounts. For fiscal year ended June 30, 2015, expenditures exceeded revenues and other financing sources by \$(1,819,095) as compared to the fiscal year ended June 30, 2014, when revenues and other financing sources exceeded expenditures and other financing uses by \$1,195,418.

General Fund Budgetary Highlights

There were differences between the original budget and the final amended budget for the current year. The County budgeted revenues of \$18,819,294 for fiscal year 2015. The actual revenues were \$18,478,831 which is an unfavorable variance of \$(340,463). The unfavorable variance is attributed to revenue from intergovernmental budgeted for more than the actual amount received. The budgeted expenditures were \$19,682,773 for the County. The actual expenditures were \$19,480,948 which is a favorable variance of \$201,825 which is attributed to spending less in various departments.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

Capital Assets and Debt Administration

Capital assets - The County's investment in capital assets for its governmental funds activities as of June 30, 2015 amounts to \$23,260,134 (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 for the sheriff's department and the installation of an elevator. The County's investment in capital assets for its business-type activities as of June 30, 2015 amounts to \$2,213,043 (net of accumulated depreciation) with major expenditures for capital assets consisting of the lead meter replacement project. Additional information on the County of Grayson's capital assets can be found in Note 12 of this report.

Long-term debt

The outstanding debt for governmental activities at June 30, 2015 is as follows:

| | Balance July 1, 2014 As restated | Issuances | Retirements | Balance June 30, 2015 |
|------------------------------|--|---------------------|-----------------------|--------------------------|
| General obligation bonds | \$ 16,649,749 | \$ - | \$ (577,659) | \$ 16,072,090 |
| Premium on bond | 2,107,373 | - | (82,539) | 2,024,834 |
| Lease revenue notes | 244,775 | - | (244,775) | - |
| Net pension liability | 5,873,870 | 1,742,960 | (2,779,986) | 4,836,844 |
| Landfill closure/postclosure | 58,243 | | (58,243) | - |
| Net OPEB obligation | 110,000 | 59,300 | (13,800) | 155,500 |
| Compensated absences | 106,613 | 304,022 | (26,653) | 383,982 |
| Total | <u>\$ 25,150,623</u> | <u>\$ 2,106,282</u> | <u>\$ (3,783,655)</u> | <u>\$ 23,473,250</u> |

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

| | Balance July 1, 2014 | Issuances | Retirements | Balance June 30, 2015 |
|----------------------|-------------------------|------------------|---------------------|--------------------------|
| Revenue and GO bonds | \$ 587,066 | \$40,000 | \$ (588,144) | \$ 38,922 |
| Total | <u>\$ 587,066</u> | <u>\$ 40,000</u> | <u>\$ (588,144)</u> | <u>\$ 38,922</u> |

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

Economic Factors

The unemployment rate for the County of Grayson, Virginia was on average 5.0% for fiscal year 2015. This is slightly above the state's average unemployment rate of 4.1% and the same as national average rate of 5.0%.

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, 2015

June 30, 2015

| | Primary Government | | | Component Unit |
|--|----------------------|---------------------|----------------------|------------------------|
| | Governmental | Business-type | | School Board |
| | Activities | Activities | Total | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 2,472,686 | \$ 74,690 | \$ 2,547,376 | \$ 35,893 |
| Restricted cash and cash equivalents - customers' deposits | - | 14,897 | 14,897 | - |
| Investments | 6,460,058 | 14,562 | 6,474,620 | - |
| Receivables (net of allowance for uncollectibles): | | | | |
| Taxes receivable | 11,945,471 | - | 11,945,471 | - |
| Accounts receivable | 711,168 | 18,336 | 729,504 | 51,510 |
| Notes receivable | 338,091 | - | 338,091 | - |
| Due from component unit | 173,034 | - | 173,034 | - |
| Due from other governmental units | 521,484 | 28,800 | 550,284 | 770,052 |
| Prepaid items | 37,765 | - | 37,765 | 257,447 |
| Capital assets (net of accumulated depreciation): | | | | |
| Land | 749,787 | 10,648 | 760,435 | 144,690 |
| Buildings, improvements, and systems | 21,527,852 | - | 21,527,852 | 2,667,309 |
| Machinery and equipment | 817,827 | 6,617 | 824,444 | 1,024,134 |
| Infrastructure | - | 2,152,431 | 2,152,431 | - |
| Construction in progress | 164,668 | 43,347 | 208,015 | - |
| Total assets | <u>\$ 45,919,891</u> | <u>\$ 2,364,328</u> | <u>\$ 48,284,219</u> | <u>\$ 4,951,035</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Pension contributions subsequent to measurement date | \$ 687,820 | \$ - | \$ 687,820 | \$ 1,492,564 |
| LIABILITIES | | | | |
| Accounts payable | \$ 362,427 | \$ 15,921 | \$ 378,348 | \$ 136,125 |
| Accrued salaries | 12,964 | - | 12,964 | 803,882 |
| Customers' deposits | - | 14,897 | 14,897 | - |
| Accrued interest payable | 316,688 | 115 | 316,803 | - |
| Due to primary government | - | - | - | 173,034 |
| Long-term liabilities: | | | | |
| Due within one year | 988,450 | 3,327 | 991,777 | 138,629 |
| Due in more than one year | 22,484,800 | 35,595 | 22,520,395 | 16,699,600 |
| Total liabilities | <u>\$ 24,165,329</u> | <u>\$ 69,855</u> | <u>\$ 24,235,184</u> | <u>\$ 17,951,270</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred revenue - property taxes | \$ 10,663,471 | \$ - | \$ 10,663,471 | \$ - |
| Items related to measurement of net pension liability | 929,804 | - | 929,804 | 2,578,328 |
| Change in proportionate share of pension liability | - | - | - | 32,000 |
| Total deferred inflows of resources | <u>\$ 11,593,275</u> | <u>\$ -</u> | <u>\$ 11,593,275</u> | <u>\$ 2,610,328</u> |
| NET POSITION | | | | |
| Net investment in capital assets | \$ 5,163,210 | \$ 2,174,121 | \$ 7,337,331 | \$ 3,836,133 |
| Restricted: | | | | |
| TEA | 163,518 | - | 163,518 | - |
| DARE | 6,269 | - | 6,269 | - |
| Recreation | 17,431 | - | 17,431 | - |
| Special Law Enforcement | 134,540 | - | 134,540 | - |
| Unrestricted (deficit) | 5,364,139 | 120,352 | 5,484,491 | (17,954,132) |
| Total net position | <u>\$ 10,849,107</u> | <u>\$ 2,294,473</u> | <u>\$ 13,143,580</u> | <u>\$ (14,117,999)</u> |

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

County of Grayson, Virginia
Statement of Activities
For the Year Ended June 30, 2015

| Functions/Programs | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Position | | | |
|--|------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|-----------------|-----------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | | Component Unit |
| | | | | | Governmental Activities | Business-type Activities | Total | |
| PRIMARY GOVERNMENT: | | | | | | | | |
| Governmental activities: | | | | | | | | |
| General government administration | \$ 1,427,523 | \$ 14,152 | \$ 206,700 | \$ - | \$ (1,206,671) | \$ - | \$ (1,206,671) | \$ - |
| Judicial administration | 834,684 | 41,455 | 532,495 | - | (260,734) | - | (260,734) | - |
| Public safety | 3,434,969 | 87,083 | 1,158,162 | - | (2,189,724) | - | (2,189,724) | - |
| Public works | 1,826,856 | 1,486,822 | 7,382 | - | (332,652) | - | (332,652) | - |
| Health and welfare | 2,866,899 | - | 2,322,434 | - | (544,465) | - | (544,465) | - |
| Education | 6,361,306 | - | - | - | (6,361,306) | - | (6,361,306) | - |
| Parks, recreation, and cultural | 446,006 | 72,448 | 31,197 | - | (342,361) | - | (342,361) | - |
| Community development | 2,989,423 | - | 2,158,628 | 6,520 | (824,275) | - | (824,275) | - |
| Interest on long-term debt | 602,957 | - | - | - | (602,957) | - | (602,957) | - |
| Total governmental activities | \$ 20,790,623 | \$ 1,701,960 | \$ 6,416,998 | \$ 6,520 | \$ (12,665,145) | \$ - | \$ (12,665,145) | \$ - |
| Business-type activities: | | | | | | | | |
| Water Authority | \$ 242,411 | \$ 171,167 | \$ - | \$ 111,216 | \$ - | \$ 39,972 | \$ 39,972 | \$ - |
| Total primary government | \$ 21,033,034 | \$ 1,873,127 | \$ 6,416,998 | \$ 117,736 | \$ (12,665,145) | \$ 39,972 | \$ (12,625,173) | \$ - |
| COMPONENT UNITS: | | | | | | | | |
| School Board | \$ 20,816,705 | \$ 251,501 | \$ 14,404,880 | \$ 4,997 | \$ - | \$ - | \$ - | \$ (6,155,327) |
| Total component units | \$ 20,816,705 | \$ 251,501 | \$ 14,404,880 | \$ 4,997 | \$ - | \$ - | \$ - | \$ (6,155,327) |
| General revenues: | | | | | \$ 9,952,630 | \$ - | \$ 9,952,630 | \$ - |
| General property taxes | | | | | | | | |
| Other local taxes: | | | | | | | | |
| Local sales and use taxes | | | | | 427,736 | - | 427,736 | - |
| Consumers' utility taxes | | | | | 341,226 | - | 341,226 | - |
| Motor vehicle licenses | | | | | 272,143 | - | 272,143 | - |
| Other local taxes | | | | | 175,654 | - | 175,654 | - |
| Unrestricted revenues from use of money and property | | | | | 13,685 | - | 13,685 | 27 |
| Miscellaneous | | | | | 199,924 | - | 199,924 | 128,672 |
| Payment from Grayson County | | | | | - | - | - | 6,341,982 |
| Grants and contributions not restricted to specific programs | | | | | 833,385 | - | 833,385 | - |
| Transfers | | | | | (559,710) | 559,710 | - | - |
| Total general revenues and transfers | | | | | \$ 11,656,673 | \$ 559,710 | \$ 12,216,383 | \$ 6,470,681 |
| Change in net position | | | | | \$ (1,008,472) | \$ 599,682 | \$ (408,790) | \$ 315,354 |
| Net position - beginning, as restated | | | | | 11,857,579 | 1,694,791 | 13,552,370 | (14,433,353) |
| Net position - ending | | | | | \$ 10,849,107 | \$ 2,294,473 | \$ 13,143,580 | \$ (14,117,999) |

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

County of Grayson, Virginia
Balance Sheet
Governmental Funds
June 30, 2015

| | <u>General</u> | <u>Economic Development</u> | <u>Total</u> |
|---|----------------------|---------------------------------|----------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 2,378,858 | \$ - | \$ 2,378,858 |
| Investments | 5,631,756 | 731,508 | 6,363,264 |
| Receivables (net of allowance for uncollectibles): | | | |
| Taxes receivable | 11,945,471 | - | 11,945,471 |
| Accounts receivable | 711,168 | - | 711,168 |
| Notes receivable | - | 338,091 | 338,091 |
| Due from other funds | 100,000 | - | 100,000 |
| Due from component unit | 173,034 | - | 173,034 |
| Due from other governmental units | 521,484 | - | 521,484 |
| Prepaid items | 37,765 | - | 37,765 |
| Total assets | <u>\$ 21,499,536</u> | <u>\$ 1,069,599</u> | <u>\$ 22,569,135</u> |
| LIABILITIES | | | |
| Accounts payable | \$ 268,621 | \$ 89,467 | \$ 358,088 |
| Accrued liabilities | 12,964 | - | 12,964 |
| Due to other funds | - | 100,000 | 100,000 |
| Total liabilities | <u>\$ 281,585</u> | <u>\$ 189,467</u> | <u>\$ 471,052</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unavailable revenue - property taxes | <u>\$ 11,834,312</u> | <u>\$ -</u> | <u>\$ 11,834,312</u> |
| FUND BALANCES | | | |
| Nonspendable: | | | |
| Prepaid items | \$ 37,765 | \$ - | \$ 37,765 |
| Restricted: | | | |
| TEA | 163,518 | - | 163,518 |
| DARE | 6,269 | - | 6,269 |
| Recreation | 17,431 | - | 17,431 |
| Special Law Enforcement | 134,540 | - | 134,540 |
| Committed: | | | |
| Law Library | 1,873 | - | 1,873 |
| Courthouse Security | 44,612 | - | 44,612 |
| Courthouse Maintenance | 10,585 | - | 10,585 |
| School Bus Replacement | 81,655 | - | 81,655 |
| Economic Development | - | 880,132 | 880,132 |
| Assigned: | | | |
| Reassessment | 196,000 | - | 196,000 |
| Contingency | 886,225 | - | 886,225 |
| Capital Improvement | 1,016,137 | - | 1,016,137 |
| Sheriff | 18,750 | - | 18,750 |
| Treasurer | 18,750 | - | 18,750 |
| Unassigned | 6,749,529 | - | 6,749,529 |
| Total fund balances | <u>\$ 9,383,639</u> | <u>\$ 880,132</u> | <u>\$ 10,263,771</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 21,499,536</u> | <u>\$ 1,069,599</u> | <u>\$ 22,569,135</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, 2015

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

| | | |
|--|----|------------|
| Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds | \$ | 10,263,771 |
|--|----|------------|

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

| | | | |
|--------------------------|----|------------|------------|
| Land | \$ | 749,787 | |
| Buildings and system | | 21,527,852 | |
| Machinery and equipment | | 817,827 | |
| Construction in progress | | 164,668 | 23,260,134 |

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

| | | | |
|---|----|-----------|---------|
| Unavailable revenue - property taxes | \$ | 1,170,841 | |
| Items related to measurement of net pension liability | | (929,804) | 241,037 |

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.

186,283

Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds.

687,820

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

| | | | |
|--------------------------|----|--------------|--------------|
| General obligation bonds | \$ | (16,072,090) | |
| Premium on bond issuance | | (2,024,834) | |
| Accrued interest payable | | (316,688) | |
| Net OPEB obligation | | (155,500) | |
| Compensated absences | | (383,982) | |
| Net pension liability | | (4,836,844) | (23,789,938) |

Net position of governmental activities

\$ 10,849,107

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, 2015

| | <u>General</u> | <u>Economic Development</u> | <u>Total</u> |
|---|-----------------------|---------------------------------|-----------------------|
| REVENUES | | | |
| General property taxes | \$ 9,742,742 | \$ - | \$ 9,742,742 |
| Other local taxes | 1,216,759 | - | 1,216,759 |
| Permits, privilege fees, and regulatory licenses | 76,772 | - | 76,772 |
| Fines and forfeitures | 20,858 | - | 20,858 |
| Revenue from the use of money and property | 12,849 | 836 | 13,685 |
| Charges for services | 1,604,330 | - | 1,604,330 |
| Miscellaneous | 163,226 | 36,698 | 199,924 |
| Recovered costs | 524,392 | - | 524,392 |
| Intergovernmental: | | | |
| Commonwealth | 3,965,762 | 2,140,000 | 6,105,762 |
| Federal | 1,151,141 | - | 1,151,141 |
| Total revenues | <u>\$ 18,478,831</u> | <u>\$ 2,177,534</u> | <u>\$ 20,656,365</u> |
| EXPENDITURES | | | |
| Current: | | | |
| General government administration | \$ 1,674,343 | \$ - | \$ 1,674,343 |
| Judicial administration | 824,504 | - | 824,504 |
| Public safety | 3,599,711 | - | 3,599,711 |
| Public works | 1,800,178 | - | 1,800,178 |
| Health and welfare | 2,997,266 | - | 2,997,266 |
| Education | 5,861,082 | - | 5,861,082 |
| Parks, recreation, and cultural | 437,609 | - | 437,609 |
| Community development | 551,108 | 2,403,328 | 2,954,436 |
| Capital projects | 218,282 | - | 218,282 |
| Debt service: | | | |
| Principal retirement | 822,434 | - | 822,434 |
| Interest and other fiscal charges | 694,431 | - | 694,431 |
| Total expenditures | <u>\$ 19,480,948</u> | <u>\$ 2,403,328</u> | <u>\$ 21,884,276</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ (1,002,117)</u> | <u>\$ (225,794)</u> | <u>\$ (1,227,911)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | \$ - | \$ 40,138 | \$ 40,138 |
| Transfers out | (631,322) | - | (631,322) |
| Total other financing sources (uses) | <u>\$ (631,322)</u> | <u>\$ 40,138</u> | <u>\$ (591,184)</u> |
| Net change in fund balances | \$ (1,633,439) | \$ (185,656) | \$ (1,819,095) |
| Fund balances - beginning, as restated | 11,017,078 | 1,065,788 | 12,082,866 |
| Fund balances - ending | <u>\$ 9,383,639</u> | <u>\$ 880,132</u> | <u>\$ 10,263,771</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, 2015

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

Net change in fund balances - total governmental funds \$ (1,819,095)

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

| | | |
|----------------------|------------------|-----------|
| Capital outlay | \$ 580,467 | |
| Depreciation expense | <u>(905,622)</u> | (325,155) |

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase (decrease) net position. (25,085)

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 | \$ 209,888 | |
| Change in deferred inflows related to the measurement of the net pension liability | <u>(929,804)</u> | (719,916) |

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.

| | | |
|---|----------------|---------|
| Decrease in accrued landfill closure/postclosure cost | \$ 58,243 | |
| Principal repayments: | | |
| General obligation bonds | 577,659 | |
| Lease revenue note | <u>244,775</u> | 880,677 |

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 | \$ (277,369) | |
| Change in net OPEB obligation | (45,500) | |
| Change in accrued interest payable | 8,935 | |
| Amortization of bond premium | 82,539 | |
| Change in net pension liability | 1,037,026 | |
| Change in deferred outflows related to pension payments subsequent to the measurement date | <u>168,834</u> | 974,465 |

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.

25,637

Change in net position of governmental activities \$ (1,008,472)

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, 2015

| | Enterprise Fund Water Fund | Internal Service Fund |
|--|-------------------------------------|-----------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 74,690 | \$ 93,828 |
| Restricted cash and cash equivalents - customers' deposits | 14,897 | - |
| Investments | 14,562 | 96,794 |
| Accounts receivables, net of allowance for uncollectibles | 18,336 | - |
| Due from other governmental units | 28,800 | - |
| Total current assets | <u>\$ 151,285</u> | <u>\$ 190,622</u> |
| Capital assets: | | |
| Land | \$ 10,648 | \$ - |
| Construction in progress | 43,347 | - |
| Machinery and equipment | 32,310 | - |
| Infrastructure | 3,293,467 | - |
| Accumulated depreciation | (1,166,729) | - |
| Total capital assets | <u>\$ 2,213,043</u> | <u>\$ -</u> |
| Total assets | <u>\$ 2,364,328</u> | <u>\$ 190,622</u> |
| LIABILITIES | | |
| Current liabilities: | | |
| Accounts payable | \$ 15,921 | \$ 4,339 |
| Customers' deposits | 14,897 | - |
| Accrued interest payable | 115 | - |
| Bonds payable - current portion | 3,327 | - |
| Total current liabilities | <u>\$ 34,260</u> | <u>\$ 4,339</u> |
| Noncurrent liabilities: | | |
| Bonds payable - net of current portion | \$ 35,595 | \$ - |
| Total noncurrent liabilities | <u>\$ 35,595</u> | <u>\$ -</u> |
| Total liabilities | <u>\$ 69,855</u> | <u>\$ 4,339</u> |
| NET POSITION | | |
| Net investment in capital assets | \$ 2,174,121 | \$ - |
| Unrestricted | 120,352 | 186,283 |
| Total net position | <u>\$ 2,294,473</u> | <u>\$ 186,283</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, 2015

| | Enterprise Fund <u>Water</u> <u>Fund</u> | Internal Service Fund <u>Fund</u> |
|---|---|--|
| OPERATING REVENUES | | |
| Charges for services: | | |
| Water revenues | \$ 171,167 | \$ - |
| Insurance premiums | - | 90,017 |
| Total operating revenues | <u>\$ 171,167</u> | <u>\$ 90,017</u> |
| OPERATING EXPENSES | | |
| Salaries and wages | \$ 21,435 | \$ - |
| Employee benefits | 1,911 | - |
| Utilities | 5,647 | - |
| Professional services | 3,546 | - |
| Purchase of water | 92,006 | - |
| Materials and supplies | 3,779 | - |
| Travel | 2,305 | - |
| Maintenance services | 11,328 | - |
| Insurance claims and expenses | - | 95,854 |
| Miscellaneous | 5,868 | - |
| Depreciation | 88,409 | - |
| Total operating expenses | <u>\$ 236,234</u> | <u>\$ 95,854</u> |
| Operating income (loss) | <u>\$ (65,067)</u> | <u>\$ (5,837)</u> |
| NONOPERATING REVENUES (EXPENSES) | | |
| Interest expense | <u>\$ (6,177)</u> | <u>\$ -</u> |
| Income before transfers and capital contributions | <u>\$ (71,244)</u> | <u>\$ (5,837)</u> |
| Capital contributions and construction grants | \$ 111,216 | \$ - |
| Transfers in | 559,710 | 31,474 |
| Change in net position | <u>\$ 599,682</u> | <u>\$ 25,637</u> |
| Total net position - beginning | 1,694,791 | 160,646 |
| Total net position - ending | <u><u>\$ 2,294,473</u></u> | <u><u>\$ 186,283</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, 2015

| | Enterprise Fund Water Fund | Internal Service Fund |
|---|-------------------------------------|-----------------------------|
| CASH FLOWS FROM BY OPERATING ACTIVITIES | | |
| Receipts from customers and users | \$ 163,719 | \$ - |
| Receipts for insurance premiums | - | 90,017 |
| Payments to suppliers | (122,385) | - |
| Payments to and for employees | (23,346) | - |
| Payments for insurance premiums | - | (92,437) |
| Net cash provided by (used for) operating activities | <u>\$ 17,988</u> | <u>\$ (2,420)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Transfers from other funds | <u>\$ 559,710</u> | <u>\$ 31,474</u> |
| Net cash provided by (used for) noncapital financing activities | <u>\$ 559,710</u> | <u>\$ 31,474</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Purchase of capital assets | \$ (100,499) | \$ - |
| Principal payments on bonds | (588,144) | - |
| Contributions in aid of construction | 111,216 | - |
| Proceeds from indebtedness | 40,000 | - |
| Interest payments | (7,111) | - |
| Net cash provided by (used for) capital and related financing activities | <u>\$ (544,538)</u> | <u>\$ -</u> |
| Net increase (decrease) in cash and cash equivalents | \$ 33,160 | \$ 29,054 |
| Cash and cash equivalents - beginning (includes investments of \$107,478) | 70,989 | 161,568 |
| Cash and cash equivalents - ending (includes investments of \$111,356 and restricted cash and cash equivalents of \$14,897) | <u>\$ 104,149</u> | <u>\$ 190,622</u> |
| Reconciliation of operating income (loss) to net cash provided by (used for) operating activities: | | |
| Operating income (loss) | <u>\$ (65,067)</u> | <u>\$ (5,837)</u> |
| Adjustments to reconcile operating income to net cash provided by (used for) operating activities: | | |
| Depreciation | \$ 88,409 | \$ - |
| (Increase) decrease in accounts receivable | 4,655 | - |
| (Increase) decrease in due from other funds | (14,040) | - |
| Increase (decrease) in accounts payable | 2,094 | 3,417 |
| Increase (decrease) in customer deposits | 1,937 | - |
| Total adjustments | <u>\$ 83,055</u> | <u>\$ 3,417</u> |
| Net cash provided by (used for) operating activities | <u>\$ 17,988</u> | <u>\$ (2,420)</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, 2015

| | <u>Agency Funds</u> |
|---|-------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 276,894 |
| Investments | 172,272 |
| Total assets | <u>\$ 449,166</u> |
| LIABILITIES | |
| Amounts held for social services clients | \$ 17,619 |
| Amounts held for subsequent remittance to State for surcharge | 427 |
| Amounts held for Mt. Rogers Alcohol Safety Action Program | 335,184 |
| Amounts held for Grayson Regional Library | 95,936 |
| Total liabilities | <u>\$ 449,166</u> |

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

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 1-Summary of Significant Accounting Policies:

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

A. Financial Reporting Entity

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

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

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

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

Related Organizations - The County has no related organizations.

Jointly Governed Organizations:

1. The County, along with the Counties of Wythe, Bland, Carroll, and Smyth and the City of Galax, participates in supporting the Mount Rogers Community Services Board. For the fiscal year ended June 30, 2015, the County contributed \$51,000.
2. The County, along with the County of Wythe, participates in supporting the Wythe/Grayson Regional Library. For the fiscal year ended June 30, 2015, the County contributed \$243,500.
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, 2015.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

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

A. Financial Reporting Entity (Continued)

Jointly Governed Organizations: (Continued)

4. The County, along with the City of Galax, participates in supporting the Galax-Grayson Emergency Medical Service. Each locality appoints two members to the Service's Board. The Service bills the County and the City of Galax for locality funding, based on year to date revenue and expenses. For the fiscal year ended June 30, 2015, the County contributed \$65,139.
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, 2015, the County contributed \$137,344.
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, 2015, the County contributed \$43,241.
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 \$152,189. It is the hope of BRCEDA that this park project will be a catalyst for economic development in the region.

B. Government-wide and fund financial statements

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

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

The County reports the following major proprietary funds:

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

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

Additionally, the County reports the following fund types:

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

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

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

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

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

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

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

1. Cash and Cash Equivalents

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

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

2. Receivables and payables

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

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

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

3. Property Taxes

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

4. Allowance for Uncollectible Accounts

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$128,044 at June 30, 2015 and is comprised solely of property taxes.

5. Use of Estimates

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

6. Capital assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets for business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized for the fiscal year ending June 30, 2015.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

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

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

6. Capital assets (Continued)

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

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

7. Deferred Outflows/Inflows of Resources

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

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

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

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

8. Compensated Absences

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

9. Pensions

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

10. Long-term obligations

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

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

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

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

11. Fund equity

The County reports fund balance in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The County evaluated its funds at June 30, 2015 and classified fund balance into the following five classifications to describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

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

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

12. Net Position

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

13. Net Position Flow Assumption

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

Note 2-Stewardship, Compliance, and Accountability:

A. Budgetary information

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

1. Prior to April 1st, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them. The following funds have legally adopted budgets: General Fund, Economic Development, and the School Operating Fund.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the function level. Only the Board of Supervisors can revise the appropriation for each department or category. The County Administrator is authorized to transfer budgeted amounts within general government departments; however, the School Board is authorized to transfer budgeted amounts within the school system's categories.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

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

A. Budgetary information (Continued)

5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Funds, and the General Capital Projects Funds. The School Fund and School Capital Projects Fund are integrated only at the level of legal adoption.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all County units. The County's practice is to appropriate Capital Projects by Project. Several supplemental appropriations were necessary during this fiscal year.
 - a. All budgetary data presented in the accompanying financial statements is the revised budget as of June 30.
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, 2015, there were no departments that had expenditures in excess of appropriations.

C. Deficit fund equity

At June 30, 2015, there were no funds with deficit fund equity.

Note 3-Deposits and Investments:

Deposits:

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 3-Deposits and Investments: (Continued)

Investments:

Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper and certain corporate notes, banker’s acceptances, repurchase agreements, and the State Treasurer’s Local Government Investment Pool (LGIP).

Credit Risk of Debt Securities:

The County has adopted an investment policy for credit risk.

The County’s rated debt investments as of June 30, 2015 were rated by Standard and Poor’s and/or an equivalent national rating organization and the ratings are presented below using the Standard and Poor’s rating scale.

| County's Rated Debt Investments' Values | |
|---|----------------------|
| Rated Debt Investments | Fair Quality Ratings |
| | AAAm |
| LGIP | \$ 6,646,892 |

Concentration of Credit Risk:

At June 30, 2015, the County did not have any investments meeting the GASB 40 definition requiring concentration of credit risk disclosures that exceeded 5% of total investments.

Interest Rate Risk:

At June 30, 2015, the County did not have any investments meeting the GASB 40 definition requiring interest rate risk disclosures.

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

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COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 4-Due from Other Governmental Units:

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

| | Primary Government | | Component Unit- School Board |
|---|----------------------------|-----------------------------|---------------------------------|
| | Governmental Activities | Business-type Activities | |
| <u>Local Government:</u> | | | |
| Mount Rogers Planning District Commission | \$ - | \$ 25,000 | \$ - |
| <u>Commonwealth of Virginia:</u> | | | |
| Local sales tax | 72,527 | - | - |
| Communications tax | 62,304 | - | - |
| State sales tax | - | - | 369,343 |
| Categorical aid | 145,497 | - | - |
| Noncategorical aid | 6,547 | - | - |
| Virginia public assistance funds | 23,447 | - | - |
| Comprehensive services act | 75,580 | - | - |
| <u>Federal Government:</u> | | | |
| Virginia public assistance funds | 113,450 | - | - |
| Categorical aid | 22,132 | 3,800 | 400,709 |
| Totals | <u>\$ 521,484</u> | <u>\$ 28,800</u> | <u>\$ 770,052</u> |

Note 5-Interfund/Component-Unit Obligations:

The following amounts represent interfund obligations at year end:

| Fund | (Due to)/ Due from Funds | Due to Primary Government/ Comp. Unit | Due from Primary Government/ Comp. Unit |
|---------------------------------------|--------------------------------|---|---|
| <u>Primary Government:</u> | | | |
| General Fund | \$ 100,000 | \$ - | \$ 173,034 |
| Economic Development | (100,000) | - | - |
| Total Primary Government | <u>-</u> | <u>-</u> | <u>173,034</u> |
| <u>Component Unit - School Board:</u> | | | |
| School Operating Fund | | <u>\$ 173,034</u> | <u>\$ -</u> |

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 6-Interfund Transfers:

Interfund transfers for the fiscal year ended June 30, 2015 consisted of the following:

| <u>Fund</u> | <u>Transfers In</u> | <u>Transfers Out</u> |
|---------------------------|---------------------|----------------------|
| Primary Government: | | |
| General Fund | \$ - | \$ 631,322 |
| Economic Development Fund | 40,138 | - |
| Water Fund | 559,710 | - |
| Internal Service Fund | 31,474 | - |
| Total | <u>\$ 631,322</u> | <u>\$ 631,322</u> |

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them or (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgeting authorization.

Note 7-Long-Term Obligations:

Primary Government - Governmental Activities Obligations:

The following is a summary of long-term obligations transactions of the County for the year ended June 30, 2015:

| | Balance July 1, 2014, as restated | Increases/ Issuances | Decreases/ Retirements | Balance June 30, 2015 |
|--|---|-------------------------|---------------------------|--------------------------|
| General obligation bonds | \$ 16,649,749 | \$ - | \$ (577,659) | \$ 16,072,090 |
| Premium on bond | 2,107,373 | - | (82,539) | 2,024,834 |
| Lease revenue note | 244,775 | - | (244,775) | - |
| Landfill closure/postclosure liability | 58,243 | - | (58,243) | - |
| Net OPEB obligation | 110,000 | 59,300 | (13,800) | 155,500 |
| Compensated absences | 106,613 | 304,022 | (26,653) | 383,982 |
| Net pension liability | 5,873,870 | 1,742,960 | (2,779,986) | 4,836,844 |
| Total | <u>\$ 25,150,623</u> | <u>\$ 2,106,282</u> | <u>\$ (3,783,655)</u> | <u>\$ 23,473,250</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 following schedule is net of those savings credits.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 7-Long-Term Obligations: (Continued)

Primary Government - Governmental Activities Obligations: (Continued)

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

| Year Ending June 30, | General Obligation Bonds | |
|-------------------------|--------------------------|---------------------|
| | Principal | Interest |
| 2016 | \$ 593,337 | \$ 680,414 |
| 2017 | 614,050 | 657,714 |
| 2018 | 634,801 | 631,590 |
| 2019 | 660,591 | 604,517 |
| 2020 | 691,422 | 573,238 |
| 2021-2025 | 3,960,866 | 2,297,362 |
| 2026-2030 | 4,612,023 | 1,236,994 |
| 2031-2034 | 4,305,000 | 312,489 |
| Totals | <u>\$ 16,072,090</u> | <u>\$ 6,994,318</u> |

Details of long-term obligations:

| | Interest <u>Rates</u> | Date <u>Issued</u> | Final Maturity <u>Date</u> | Amount of Original <u>Issue</u> | Balance Governmental <u>Activities</u> | Amount Due Within <u>One Year</u> |
|----------------------------------|--------------------------|-----------------------|----------------------------------|---------------------------------------|--|---|
| <u>General Obligation Bonds:</u> | | | | | | |
| General Obligation Bond | 5.10% | 11/10/05 | 2025 | \$ 585,603 | \$ 357,090 | \$ 28,337 |
| General Obligation Bond | 5.10% | 11/10/05 | 2025 | 995,000 | 545,000 | 50,000 |
| General Obligation Bond | 3.05%-5.05% | 05/09/13 | 2034 | 15,670,000 | 15,170,000 | 515,000 |
| Subtotal | | | | | <u>\$ 16,072,090</u> | <u>\$ 593,337</u> |
| Premium on Bond | | | | 87,862 | 48,325 | 4,393 |
| Premium on Bond | | | | 2,157,388 | 1,976,509 | 102,733 |
| Total General Obligation Bonds | | | | | <u>\$ 18,096,924</u> | <u>\$ 700,463</u> |
| <u>Other Obligations:</u> | | | | | | |
| Net OPEB Obligation | | | | | \$ 155,500 | \$ - |
| Compensated Absences | | | | | 383,982 | 287,987 |
| Net Pension Liability | | | | | 4,836,844 | - |
| Total Other Obligations | | | | | <u>\$ 5,376,326</u> | <u>\$ 287,987</u> |
| Total Long-term Obligations | | | | | <u>\$ 23,473,250</u> | <u>\$ 988,450</u> |

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

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, 2015:

| | Balance July 1, 2014 | Issuances | Retirements | Balance June 30, 2015 |
|---------------|-------------------------|-----------|--------------|--------------------------|
| Revenue Bonds | \$ 587,066 | \$ 40,000 | \$ (588,144) | \$ 38,922 |
| Total | \$ 587,066 | \$ 40,000 | \$ (588,144) | \$ 38,922 |

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

| Year Ending June 30, | Revenue Bonds | |
|-------------------------|---------------|----------|
| | Principal | Interest |
| 2016 | \$ 3,327 | \$ 1,590 |
| 2017 | 3,471 | 1,446 |
| 2018 | 3,622 | 1,295 |
| 2019 | 3,779 | 1,138 |
| 2020 | 3,942 | 975 |
| 2021-2025 | 20,781 | 2,165 |
| Totals | \$ 38,922 | \$ 8,609 |

Details of long-term indebtedness:

| | Interest Rates | Date Issued | Final Maturity Date | Amount of Original Issue | Balance Business-Type Activities | Amount Due Within One Year |
|-----------------------------|-------------------|----------------|---------------------------|--------------------------------|--|----------------------------------|
| <u>Revenue Bonds:</u> | | | | | | |
| Water Revenue Bonds | 4.25% | 02/05/15 | 2025 | \$ 40,000 | \$ 38,922 | \$ 3,327 |
| Total Long-term Obligations | | | | | \$ 38,922 | \$ 3,327 |

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COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

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

Discretely Presented Component Unit-School Board-Obligations:

The following is a summary of long-term obligation transactions of the Component-Unit School Board for the year ended June 30, 2015:

| | Balance July 1, 2014, as restated | Increases/ Issuances | Decreases/ Retirements | Balance June 30, 2015 |
|---------------------------------|---|-------------------------|---------------------------|--------------------------|
| Net OPEB obligation | \$ 452,000 | \$ 167,600 | \$ (136,500) | \$ 483,100 |
| Early retirement incentive plan | 307,924 | - | (63,877) | 244,047 |
| Compensated absences | 514,001 | 56,339 | (385,501) | 184,839 |
| Net pension liability | 18,492,195 | 1,689,718 | (4,255,670) | 15,926,243 |
| Total | <u>\$ 19,766,120</u> | <u>\$ 1,913,657</u> | <u>\$ (4,841,548)</u> | <u>\$ 16,838,229</u> |

Details of long-term obligations:

| | Total Amount | Amount Due Within One Year |
|---------------------------------|----------------------|-------------------------------|
| <u>Other Obligations:</u> | | |
| Net OPEB obligation | \$ 483,100 | \$ - |
| Early retirement incentive plan | 244,047 | - |
| Compensated absences | 184,839 | 138,629 |
| Net pension liability | 15,926,243 | - |
| Total Long-term Obligations | <u>\$ 16,838,229</u> | <u>\$ 138,629</u> |

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 9-Pension Plan:

Plan Description

All full-time, salaried permanent employees of the County are automatically covered by the Grayson County Retirement Plan upon employment. The Plan includes employees of entities whose financial information is not included in the primary government report, and is therefore a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia.

All full-time, salaried permanent (nonprofessional) employees of the public school divisions are automatically covered by the Grayson County School Board upon employment. This is an agent multiple-employer plan administered by the System along with plans for other employer groups in the Commonwealth of Virginia.

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 9-Pension Plan: (Continued)

Plan Description (Continued)

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015Note 9-Pension Plan: (Continued)*Plan Description (Continued)*

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 9-Pension Plan: (Continued)

Plan Description (Continued)

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 9-Pension Plan: (Continued)

Plan Description (Continued)

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 9-Pension Plan: (Continued)

Plan Description (Continued)

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 9-Pension Plan: (Continued)

Plan Description (Continued)

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 9-Pension Plan: (Continued)

Plan Description (Continued)

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 9-Pension Plan: (Continued)

Plan Description (Continued)

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015Note 9-Pension Plan: (Continued)*Plan Description (Continued)*

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015Note 9-Pension Plan: (Continued)*Plan Description (Continued)*

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 9-Pension Plan: (Continued)

Plan Description (Continued)

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2014-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Contributions

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

The County's contractually required contribution rate for the year ended June 30, 2015 was 18.86% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

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 \$687,820 and \$518,986 for the years ended June 30, 2015 and June 30, 2014, respectively.

Net Pension Liability

At June 30, 2015, the County reported a liability of \$4,836,844 for its proportionate share of the net pension liability. The County's net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014. 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. Salaries as of June 30, 2015 were used as a basis for allocation to determine the County's proportionate share of the net pension liability. At June 30, 2014 and 2013, the County's proportion was 94.61%.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 9-Pension Plan: (Continued)

Actuarial Assumptions - General Employees (Continued)

The total pension liability for General Employees in the Grayson County's Retirement Plan and the Grayson County School Board Retirement Plan was based on an actuarial valuation as of June 30, 2013, 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, 2014.

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

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

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

Largest 10 - Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 9-Pension Plan: (Continued)

Actuarial Assumptions - General Employees (Continued)

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Non-LEOS:

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

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

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

Actuarial Assumptions - Public Safety Employees

The total pension liability for Public Safety employees in the Grayson County's Retirement Plan was based on an actuarial valuation as of June 30, 2013, 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, 2014.

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 9-Pension Plan: (Continued)

Actuarial Assumptions - Public Safety Employees (Continued)

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

Largest 10 - Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - LEOS:

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015Note 9-Pension Plan: (Continued)*Long-Term Expected Rate of Return*

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015Note 9-Pension Plan: (Continued)*Discount Rate*

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

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

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

| | Rate | | |
|--|--------------|--------------|--------------|
| | (6.00%) | (7.00%) | (8.00%) |
| County's proportionate share of the County Retirement Plan Net Pension Liability (Asset) | \$ 7,207,277 | \$ 4,836,844 | \$ 2,853,006 |

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COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 9-Pension Plan: (Continued)

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

For the year ended June 30, 2015, the County recognized pension expense of \$411,764. At June 30, 2015, 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 | \$ - | \$ - |
| Change in assumptions | - | - |
| Net difference between projected and actual earnings on pension plan investments | - | 929,804 |
| Employer contributions subsequent to the measurement date | 687,720 | - |
| Total | <u>\$ 687,720</u> | <u>\$ 929,804</u> |

\$687,720 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 year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended June 30 | Primary Government |
|--------------------|-----------------------|
| 2016 | \$ (232,451) |
| 2017 | (232,451) |
| 2018 | (232,451) |
| 2019 | (232,451) |
| Thereafter | - |

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 9-Pension Plan: (Continued)

Component Unit School Board (nonprofessional)

Plan Description

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

Employees Covered by Benefit Terms

As of the June 30, 2013 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 | 44 |
| Inactive members: | |
| Vested inactive members | 9 |
| Non-vested inactive members | 6 |
| Inactive members active elsewhere in VRS | 8 |
| Total inactive members | 23 |
| Active members | 77 |
| Total covered employees | 144 |

Contributions

The Component Unit School Board's contractually required contribution rate for nonprofessional employees for the year ended June 30, 2015 was 9.97% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 9-Pension Plan: (Continued)

Component Unit School Board (nonprofessional) (Continued)

Contributions (Continued)

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board's nonprofessional employees were \$123,832 and \$130,031 for the years ended June 30, 2015 and June 30, 2014, respectively.

Net Pension Liability

The Component Unit School Board's (nonprofessional) net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Changes in Net Pension Liability

| | Component School Board (nonprofessional) | | |
|--|--|--|--|
| | Increase (Decrease) | | |
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
| Balances at June 30, 2013 | \$ 4,966,731 | \$ 4,111,536 | \$ 855,195 |
| Changes for the year: | | | |
| Service cost | \$ 131,743 | \$ - | \$ 131,743 |
| Interest | 340,515 | - | 340,515 |
| Differences between expected and actual experience | - | - | - |
| Contributions - employer | - | 130,031 | (130,031) |
| Contributions - employee | - | 66,050 | (66,050) |
| Net investment income | - | 646,555 | (646,555) |
| Benefit payments, including refunds of employee contributions | (204,448) | (204,448) | - |
| Administrative expenses | - | (3,460) | 3,460 |
| Other changes | - | 34 | (34) |
| Net changes | \$ 267,810 | \$ 634,762 | \$ (366,952) |
| Balances at June 30, 2014 | \$ 5,234,541 | \$ 4,746,298 | \$ 488,243 |

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015Note 9-Pension Plan: (Continued)Component Unit School Board (nonprofessional) (Continued)*Sensitivity of the Net Pension Liability to Changes in the Discount Rate*

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

| | Rate | | |
|---|--------------|------------|-------------|
| | (6.00%) | (7.00%) | (8.00%) |
| Component Unit School Board (nonprofessional) | | | |
| Net Pension Liability (Asset) | \$ 1,118,084 | \$ 488,243 | \$ (43,539) |

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

For the year ended June 30, 2015, the Component Unit School Board (nonprofessional) recognized pension expense of \$50,407. At June 30, 2015, 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 | \$ - | \$ - |
| Change in assumptions | - | - |
| Net difference between projected and actual earnings on pension plan investments | - | 287,328 |
| Employer contributions subsequent to the measurement date | 123,832 | - |
| Total | \$ 123,832 | \$ 287,328 |

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

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)

\$123,832 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 year ended June 30, 2016. 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 (nonprofessional)</u> |
|---------------------------|--|
| 2016 | \$ (71,832) |
| 2017 | (71,832) |
| 2018 | (71,832) |
| 2019 | (71,832) |
| Thereafter | - |

Component Unit School Board (professional)

Plan Description

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

Contributions

Each School Division's contractually required contribution rate for the year ended June 30, 2015 was 14.50% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013. The actuarial rate for the Teacher Retirement Plan was 18.20%. 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. Based on the provisions of §51.1-145 of the Code of Virginia, as amended the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2015. Contributions to the pension plan from the School Board were \$1,368,732 and \$1,090,000 for the years ended June 30, 2015 and June 30, 2014, respectively.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

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, 2015, the school division reported a liability of \$15,438,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2014 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2014 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2014, the school division's proportion was 0.12775% as compared to 0.12803% at June 30, 2013.

For the year ended June 30, 2015, the school division recognized pension expense of \$1,214,000. Since there was a change in proportionate share between June 30, 2013 and June 30, 2014, 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, 2015, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ - | \$ - |
| Change in assumptions | - | - |
| Net difference between projected and actual earnings on pension plan investments | - | 2,291,000 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | - | 32,000 |
| Employer contributions subsequent to the measurement date | 1,368,732 | - |
| Total | \$ 1,368,732 | \$ 2,323,000 |

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

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)

\$1,368,732 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 ended June 30, 2016. 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> | |
|---------------------------|--------------|
| 2016 | \$ (580,000) |
| 2017 | (580,000) |
| 2018 | (580,000) |
| 2019 | (580,000) |
| Thereafter | (3,000) |

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2013, 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, 2014.

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

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

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 9-Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Actuarial Assumptions (Continued)

Mortality rates:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

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

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

| | | Rate | | |
|---|----|------------|---------------|--------------|
| | | (6.00%) | (7.00%) | (8.00%) |
| School division's proportionate share of the VRS Teacher Employee Retirement Plan | | | | |
| Net Pension Liability (Asset) | \$ | 22,669,000 | \$ 15,438,000 | \$ 9,485,000 |

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

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 2014 Comprehensive Annual Financial Report (CAFR). A copy of the 2014 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2014-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 10-Other Postemployment Benefits - Health Insurance:

A. Plan Description

The Grayson Postemployment Healthcare Plan (The "Plan") is a single-employer defined benefit healthcare plan administered by the County. The Plan provides health insurance benefits to eligible retirees and their spouses. To be eligible, employees must meet the age and service criteria for immediate retirement benefits under VRS, which requires that the employee be age 50 with 10 years of service, or be age 55 with 5 years of service, or permanently, totally disabled and injured in the line of duty. Additionally, the employee must be of full-time status in VRS and must be covered by the active plan at the time of retirement or disability. The benefit provisions, including employer and employee contributions, are governed by the County and can be amended through Board of Supervisor action. The Plan does not issue a publicly available financial report.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015Note 10-Other Postemployment Benefits - Health Insurance: (Continued)

B. Funding Policy

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

| | | | |
|---------------------|------------------|------------------|-----------------------|
| County: | <u>Low Plan</u> | <u>High Plan</u> | |
| Employee Only | \$ 478 | \$ 515 | |
| Employee and Spouse | 1,067 | 1,150 | |
| Employee and Child | 655 | 706 | |
| Family | 1,438 | 1,550 | |
| School Board: | <u>Base Plan</u> | <u>High Plan</u> | <u>High Ded. Plan</u> |
| Employee Only | \$ 516 | \$ 550 | \$ 467 |
| Employee and Spouse | 955 | 1,018 | 864 |
| Employee and Child | 955 | 1,018 | 864 |
| Family | 1,393 | 1,485 | 1,261 |

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

C. Annual OPEB Cost and Net OPEB Obligation

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

| | | | |
|--|---------------|---------------------|--------------|
| | <u>County</u> | <u>School Board</u> | <u>Total</u> |
| Annual required contribution | \$ 63,200 | \$ 183,500 | \$ 246,700 |
| Interest on net OPEB obligation | 4,400 | 18,100 | 22,500 |
| Adjustment to annual required contribution | (8,300) | (34,000) | (42,300) |
| Annual OPEB cost (expense) | \$ 59,300 | \$ 167,600 | \$ 226,900 |
| Contributions made | (13,800) | (136,500) | (150,300) |
| Increase in net OPEB obligation | \$ 45,500 | \$ 31,100 | \$ 76,600 |
| Net OPEB obligation - beginning of year | 110,000 | 452,000 | 562,000 |
| Net OPEB obligation - end of year | \$ 155,500 | \$ 483,100 | \$ 638,600 |

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015Note 10-Other Postemployment Benefits - Health Insurance: (Continued)

C. Annual OPEB Cost and Net OPEB Obligation (Continued)

The County's and School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 and the two preceding years were as follows:

| County: | | Percentage of | |
|------------|-----------|------------------|------------|
| Fiscal | Annual | Annual OPEB Cost | Net OPEB |
| Year Ended | OPEB Cost | Contributed | Obligation |
| 6/30/2015 | \$ 59,300 | 23% | \$ 155,500 |
| 6/30/2014 | 40,200 | 52% | 110,000 |
| 6/30/2013 | 40,000 | 65% | 90,600 |

| School Board: | | Percentage of | |
|---------------|------------|------------------|------------|
| Fiscal | Annual | Annual OPEB Cost | Net OPEB |
| Year Ended | OPEB Cost | Contributed | Obligation |
| 6/30/2015 | \$ 167,600 | 81% | \$ 483,100 |
| 6/30/2014 | 206,500 | 81% | 452,000 |
| 6/30/2013 | 207,500 | 76% | 412,800 |

D. Funded Status and Funding Progress

Primary Government:

As of July 1, 2014, the most recent actuarial valuation date, the actuarial accrued liabilities (AAL) were \$436,700, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$3,463,000, and ratio of the UAAL to the covered payroll was 12.60%.

Component Unit - School Board:

As of July 1, 2014, the most recent actuarial valuation date, the actuarial accrued liabilities (AAL) were \$1,637,000, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$10,144,600, and ratio of the UAAL to the covered payroll was 16.14%.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

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

E. Actuarial Methods and Assumptions

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

Primary Government:

As of the most recent actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions included a 4.0 percent investment rate of return per annum. An annual healthcare cost trend rate of 8.0 percent decreasing at a rate of 0.5 percent until an ultimate rate of 5.0 percent is reached. The UAAL is being amortized as a level percentage over the remaining amortization period, which at July 1, 2014, was 15 years.

Component Unit - School Board:

As of the most recent actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions included a 4.0 percent investment rate of return per annum. An annual healthcare cost trend rate of 9.0 percent decreasing at a rate of 0.5 percent until an ultimate rate of 5.0 percent is reached. The UAAL is being amortized as a level percentage over the remaining amortization period, which at July 1, 2014, was 15 years.

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

Professional Employees - Discretely Presented Component Unit School Board

A. Plan Description

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015Note 11- Other Postemployment Benefits - VRS Health Insurance Credit: (Continued)

B. Funding Policy

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. Contribution rates were 1.06%, 1.11%, and 1.11%, of annual covered payroll for the years ending June 30, 2015, 2014, and 2013, respectively. The School Board's contributions to VRS for the years ending June 30, 2015, 2014, and 2013 were \$100,544, \$103,721, and \$101,337, respectively and equaled the required contributions for each year.

Note 12-Capital Assets:

Capital asset activity for the year ended June 30, 2015 was as follows:

Primary Government:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|-----------------------|---------------------|---------------------|-----------------------|
| Governmental Activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 749,787 | \$ - | \$ - | \$ 749,787 |
| Construction in progress | 190,991 | 69,783 | (96,106) | 164,668 |
| Total capital assets not being depreciated | <u>\$ 940,778</u> | <u>\$ 69,783</u> | <u>\$ (96,106)</u> | <u>\$ 914,455</u> |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | \$ 26,120,967 | \$ 211,936 | \$ - | \$ 26,332,903 |
| Machinery and equipment | 2,133,926 | 394,854 | (46,392) | 2,482,388 |
| Total capital assets being depreciated | <u>\$ 28,254,893</u> | <u>\$ 606,790</u> | <u>\$ (46,392)</u> | <u>\$ 28,815,291</u> |
| Accumulated depreciation: | | | | |
| Buildings and improvements | \$ (4,143,890) | \$ (661,161) | \$ - | \$ (4,805,051) |
| Machinery and equipment | (1,441,407) | (244,461) | 21,307 | (1,664,561) |
| Total accumulated depreciation | <u>\$ (5,585,297)</u> | <u>\$ (905,622)</u> | <u>\$ 21,307</u> | <u>\$ (6,469,612)</u> |
| Total capital assets being depreciated, net | <u>\$ 22,669,596</u> | <u>\$ (298,832)</u> | <u>\$ (25,085)</u> | <u>\$ 22,345,679</u> |
| Governmental activities capital assets, net | <u>\$ 23,610,374</u> | <u>\$ (229,049)</u> | <u>\$ (121,191)</u> | <u>\$ 23,260,134</u> |

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COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 12-Capital Assets: (Continued)

Primary Government: (Continued)

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------------|--------------------------|----------------------------|----------------------------|
| Business-type activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 10,648 | \$ - | \$ - | \$ 10,648 |
| Construction in progress | 120,014 | 100,499 | (177,166) | 43,347 |
| Total capital assets not being depreciated | <u>\$ 130,662</u> | <u>\$ 100,499</u> | <u>\$ (177,166)</u> | <u>\$ 53,995</u> |
| Capital assets, being depreciated: | | | | |
| Infrastructure | \$ 3,116,301 | \$ 177,166 | \$ - | \$ 3,293,467 |
| Machinery and equipment | 32,310 | - | - | 32,310 |
| Total capital assets being depreciated | <u>\$ 3,148,611</u> | <u>\$ 177,166</u> | <u>\$ -</u> | <u>\$ 3,325,777</u> |
| Accumulated depreciation: | | | | |
| Infrastructure | \$ (1,057,051) | \$ (83,985) | \$ - | \$ (1,141,036) |
| Machinery and equipment | (21,269) | (4,424) | - | (25,693) |
| Total accumulated depreciation | <u>\$ (1,078,320)</u> | <u>\$ (88,409)</u> | <u>\$ -</u> | <u>\$ (1,166,729)</u> |
| Total capital assets being depreciated, net | <u>\$ 2,070,291</u> | <u>\$ 88,757</u> | <u>\$ -</u> | <u>\$ 2,159,048</u> |
| Business-type activities capital assets, net | <u><u>\$ 2,200,953</u></u> | <u><u>\$ 189,256</u></u> | <u><u>\$ (177,166)</u></u> | <u><u>\$ 2,213,043</u></u> |

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

| | |
|---|--------------------------|
| Governmental activities: | |
| General government administration | \$ 89,909 |
| Judicial administration | 3,602 |
| Public safety | 110,786 |
| Public works | 109,303 |
| Health and welfare | 5,254 |
| Education | 500,224 |
| Parks, recreation, and culture | 9,553 |
| Community development | 76,991 |
| Total depreciation expense-governmental activities | <u><u>\$ 905,622</u></u> |
| Business-type activities: | |
| Water | \$ 88,409 |
| Total depreciation expense-business type activities | <u><u>\$ 88,409</u></u> |

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 12-Capital Assets: (Continued)

Capital asset activity for the School Board for the year ended June 30, 2015 was as follows:

Discretely Presented Component Unit:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|----------------------|--------------|--------------|-------------------|
| Governmental Activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 144,690 | \$ - | \$ - | \$ 144,690 |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | \$ 13,220,331 | \$ 100,377 | \$ - | \$ 13,320,708 |
| Machinery and equipment | 4,140,910 | 206,058 | (100,117) | 4,246,851 |
| Total capital assets being depreciated | \$ 17,361,241 | \$ 306,435 | \$ (100,117) | \$ 17,567,559 |
| Accumulated depreciation: | | | | |
| Buildings and improvements | \$ (10,315,289) | \$ (338,110) | \$ - | \$ (10,653,399) |
| Machinery and equipment | (3,077,906) | (244,928) | 100,117 | (3,222,717) |
| Total accumulated depreciation | \$ (13,393,195) | \$ (583,038) | \$ 100,117 | \$ (13,876,116) |
| Total capital assets being depreciated, net | \$ 3,968,046 | \$ (276,603) | \$ - | \$ 3,691,443 |
| Governmental activities capital assets, net | \$ 4,112,736 | \$ (276,603) | \$ - | \$ 3,836,133 |

Note 13-Risk Management:

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

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 14-Contingent Liabilities:

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

Note 15-Surety Bonds:

Primary Government:

Fidelity & Deposit Company of Maryland-Surety:

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

Travelers Casualty and Surety Company of America:

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

Component Unit - School Board:

Virginia School Board Association:

| | |
|---|------------|
| All School Board employees-blanket bond | \$ 250,000 |
|---|------------|

Note 16-Notes Receivable:

On June 5, 2008, the County loaned \$150,000 to US 58 Holdings LLC. The loan is payable in 120 monthly installments of \$1,380.21 starting with the first payment due on August 15, 2008. The note bears interest at the rate of 2%. The outstanding balance at June 30, 2015 was \$100,076. The note is delinquent as of June 30, 2015, but the County still expects full repayment.

On December 4th, 2012, the County loaned \$225,613 to Med-Fit Systems, Inc. The loan is payable in 40 quarterly installments of \$6,550 starting with the first payment due on August 1, 2013. The note bears interest at the rate of 3%. The outstanding balance at June 30, 2015 was \$173,768.

On October 11, 2000, the County loaned \$200,000 to Grayson Investment, LLC. Interest only payments of 2% are due in annual installments for the first two years. Thereafter, principal and interest payments of \$3,505 are payable in 60 monthly installments until the entire principal balance, together with accrued interest, is paid in full. The outstanding balance at June 30, 2015 was \$64,247. The note is delinquent as of June 30, 2015, but the County expects full repayment is properly secured in case of default.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 17-School Board Early Retirement Incentive Plan:

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

Employees may participate in the plan for a maximum of 14 years or until the appropriate age for receipt of social security benefits, whichever occurs first. In the event of the retiree's death, the balance of the ERIP owed will be paid to the retiree's estate. The School Board funds the plan on a pay as you go basis. As of June 30, 2015, the unfunded balance of the early retirement incentive plan totaled \$244,047.

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

Note 18-County Early Retirement Incentive Plan:

The County offers all eligible full-time employees an early retirement incentive plan. Early retirement is available to those contracted employees who are members of the Virginia Retirement System (VRS) and are eligible to retire with the VRS. The County has funded a trust bank account with a balance of \$74,339 as of June 30, 2014 to fund these payments. The plan currently has one participant with an expected total payout of \$18,918 in monthly installments through January 2018.

Note 19-Deferred/Unavailable Revenue:

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

| | Government-wide Statements | Balance Sheet |
|--|-------------------------------|-----------------------|
| | Governmental Activities | Governmental Funds |
| Primary Government: | | |
| Deferred property tax revenue representing uncollected property tax billings that are not available for the funding of current expenditures. | \$ 11,805,387 | \$ 10,634,546 |
| Prepaid taxes relating to taxes due in a future period. | 28,925 | 28,925 |
| Total deferred/unavailable revenue | \$ 11,834,312 | \$ 10,663,471 |

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 20-Litigation:

At June 30, 2015, there were no matters of litigation involving the County or which would materially affect the County's financial position should any court decisions on pending matters not be favorable to the County.

Note 21-Subsequent Events:

On July 1, 2015, the County established the Grayson County Public Service Authority and it assumed the assets and liabilities and operations of the County's Water Fund.

On October 14, 2015, the EDA issued bonds in the amount of \$45,000 for the purchase of vehicles for the Sheriff's department.

On October 14, 2014, the EDA issued bonds in the amount of \$665,000 for the purchased of a building for the Sheriff's department.

Note 22-Restatement of Beginning Fund Balances:

Beginning fund balances have been restated for the current fiscal year as detailed below:

| | Community Development | Industrial Development | Economic Development |
|---|--------------------------|---------------------------|-------------------------|
| Ending fund balance, as previously reported | \$ 439,476 | \$ 626,312 | \$ - |
| Merged the funds into the Economic Development Fund | (439,476) | (626,312) | 1,065,788 |
| Ending fund balance, as restated | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,065,788</u> |

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015**Note 23-Adoption of Accounting Principles:**

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*:

The County implemented the financial reporting provisions of the above Statements for the fiscal year ended June 30, 2015. These Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions. Note disclosure and required supplementary information requirements about pensions are also addressed. The requirements of these Statements will improve financial reporting by improving accounting and financial reporting by state and local governments for pensions. The implementation of these Statements resulted in the following restatement of net position:

| | Governmental Activities | Component Unit School Board |
|--|----------------------------|--------------------------------|
| Net Position, July 1, 2014, as previously stated | \$ 16,920,278 | \$ 2,838,811 |
| Net pension liability | (5,873,870) | (18,492,195) |
| Deferred outflow of resources | 518,986 | 1,220,031 |
| Remove net VRS pension obligation - GASB 27 | 292,185 | - |
| Net Position, July 1, 2014, as restated | <u>\$ 11,857,579</u> | <u>\$ (14,433,353)</u> |

Note 24-Upcoming Pronouncements:

Statement No. 72, *Fair Value Measurement and Application*, amends the definitions of fair value used throughout GASB literature to be consistent with the definition and principles provided in FASB Accounting Standards Codification Topic 820, *Fair Value Measurement*. This Statement provides guidance for determining a fair value measurement for financial reporting purposes and for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. No formal study or estimate of the impact of this standard has been performed.

Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68 and amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes. The requirements of this Statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this Statement for pension plans that are within the scope of Statement 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. No formal study or estimate of the impact of this standard has been performed.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 24-Upcoming Pronouncements: (Continued)

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016. No formal study or estimate of the impact of this standard has been performed.

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

Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, objective is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. No formal study or estimate of the impact of this standard has been performed.

Statement No. 77, *Tax Abatement Disclosures*, will increase the disclosure of tax abatement agreements to disclose information about the agreements. The requirements of this Statement improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. No formal study or estimate of the impact of this standard has been performed.

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, 2015

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|---|------------------|---------------|-------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| General property taxes | \$ 9,420,000 | \$ 9,420,000 | \$ 9,742,742 | \$ 322,742 |
| Other local taxes | 1,118,000 | 1,118,000 | 1,216,759 | 98,759 |
| Permits, privilege fees, and regulatory licenses | 78,200 | 78,200 | 76,772 | (1,428) |
| Fines and forfeitures | 18,000 | 18,000 | 20,858 | 2,858 |
| Revenue from the use of money and property | 18,500 | 18,500 | 12,849 | (5,651) |
| Charges for services | 1,638,100 | 1,638,718 | 1,604,330 | (34,388) |
| Miscellaneous | 282,800 | 339,724 | 163,226 | (176,498) |
| Recovered costs | 417,000 | 417,000 | 524,392 | 107,392 |
| Intergovernmental: | | | | |
| Commonwealth | 4,035,889 | 4,035,889 | 3,965,762 | (70,127) |
| Federal | 1,734,061 | 1,735,263 | 1,151,141 | (584,122) |
| Total revenues | \$ 18,760,550 | \$ 18,819,294 | \$ 18,478,831 | \$ (340,463) |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government administration | \$ 1,522,341 | \$ 1,523,875 | \$ 1,674,343 | \$ (150,468) |
| Judicial administration | 967,264 | 969,355 | 824,504 | 144,851 |
| Public safety | 3,714,737 | 3,748,678 | 3,599,711 | 148,967 |
| Public works | 1,667,765 | 1,705,475 | 1,800,178 | (94,703) |
| Health and welfare | 3,008,723 | 3,008,723 | 2,997,266 | 11,457 |
| Education | 4,985,026 | 4,985,026 | 5,861,082 | (876,056) |
| Parks, recreation, and cultural | 483,223 | 481,112 | 437,609 | 43,503 |
| Community development | 905,442 | 896,829 | 551,108 | 345,721 |
| Capital projects | 670,812 | 670,812 | 218,282 | 452,530 |
| Debt service: | | | | |
| Principal retirement | 1,216,420 | 917,873 | 822,434 | 95,439 |
| Interest and other fiscal charges | 1,027,099 | 775,015 | 694,431 | 80,584 |
| Total expenditures | \$ 20,168,852 | \$ 19,682,773 | \$ 19,480,948 | \$ 201,825 |
| Excess (deficiency) of revenues over (under) expenditures | \$ (1,408,302) | \$ (863,479) | \$ (1,002,117) | \$ (138,638) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | \$ 1,417,062 | \$ 1,417,062 | \$ - | \$ (1,417,062) |
| Transfers out | (20,000) | (570,631) | (631,322) | (60,691) |
| Total other financing sources (uses) | \$ 1,397,062 | \$ 846,431 | \$ (631,322) | \$ (1,477,753) |
| Net change in fund balances | \$ (11,240) | \$ (17,048) | \$ (1,633,439) | \$ (1,616,391) |
| Fund balances - beginning | 11,240 | 17,048 | 11,017,078 | 11,000,030 |
| Fund balances - ending | \$ - | \$ - | \$ 9,383,639 | \$ 9,383,639 |

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, 2015

| | Economic Development | | | Variance with Final Budget - Positive (Negative) |
|--|----------------------|---------------------|---------------------|---|
| | Budgeted Amounts | | Actual Amounts | |
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Revenue from the use of money and property | \$ - | \$ - | \$ 836 | \$ 836 |
| Miscellaneous | - | - | 36,698 | 36,698 |
| Intergovernmental: | | | | |
| Commonwealth | - | 1,615,200 | 2,140,000 | 524,800 |
| Total revenues | <u>\$ -</u> | <u>\$ 1,615,200</u> | <u>\$ 2,177,534</u> | <u>\$ 562,334</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Community development | <u>\$ -</u> | <u>\$ 1,615,200</u> | <u>\$ 2,403,328</u> | <u>\$ (788,128)</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (225,794)</u> | <u>\$ (225,794)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 40,138</u> | <u>\$ 40,138</u> |
| Net change in fund balances | \$ - | \$ - | \$ (185,656) | \$ (185,656) |
| Fund balances - beginning, as restated | - | - | 1,065,788 | 1,065,788 |
| Fund balances - ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 880,132</u> | <u>\$ 880,132</u> |

County of Grayson, Virginia
Schedule of OPEB Funding Progress
For the Year Ended June 30, 2015

Primary Government:
County Postemployment Healthcare Plan

| Actuarial Valuation as of | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Unfunded AAL (UAAL) (3) - (2) | Funded Ratio (2)/(3) | Covered Payroll | UAAL as a % of Covered Payroll (4)/(6) |
|---------------------------------|---------------------------------|---|-------------------------------------|-------------------------|--------------------|--|
| (1) | (2) | (3) | (4) | (5) | (6) | (7) |
| July 1, 2014 | \$ - | \$ 436,400 | \$ 436,400 | 0.00% | \$ 3,463,000 | 12.6% |
| July 1, 2012 | - | 353,700 | 353,700 | 0.00% | 3,165,300 | 11.2% |
| July 1, 2010 | - | 399,900 | 399,900 | 0.00% | 3,382,000 | 11.8% |

Discretely Presented Component Unit:
School Board Postemployment Healthcare Plan

| Actuarial Valuation as of | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Unfunded AAL (UAAL) (3) - (2) | Funded Ratio (2)/(3) | Covered Payroll | UAAL as a % of Covered Payroll (4)/(6) |
|---------------------------------|---------------------------------|---|-------------------------------------|-------------------------|--------------------|--|
| (1) | (2) | (3) | (4) | (5) | (6) | (7) |
| July 1, 2014 | \$ - | \$ 1,637,000 | \$ 1,637,000 | 0.00% | \$ 10,144,600 | 16.14% |
| July 1, 2012 | - | 2,044,000 | 2,044,000 | 0.00% | 10,445,800 | 19.57% |
| July 1, 2010 | - | 2,658,100 | 2,658,100 | 0.00% | 10,750,800 | 24.72% |

County of Grayson, Virginia
Schedule of Employer's Proportionate Share of the Net Pension Liability
June 30, 2015

| Date (1) | Proportion of the Net Pension Liability (NPL) (2) | Proportionate Share of the NPL (3) | Covered Employee 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 | | | | | |
| 2014 | 94.61% | \$ 4,836,844 | \$ 3,532,363 | 136.93% | 75.57% |
| Component Unit School Board (professional) | | | | | |
| 2014 | 0.12803% | \$ 15,438,000 | \$ 9,351,660 | 165.08% | 70.88% |

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

* The amounts presented have a measurement date of the previous fiscal year end.

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

| | <u>2014</u> |
|---|---------------------|
| Total pension liability | |
| Service cost | \$ 131,743 |
| Interest | 340,515 |
| Changes of benefit terms | - |
| Differences between expected and actual experience | - |
| Changes in assumptions | - |
| Benefit payments, including refunds of employee contributions | (204,448) |
| Net change in total pension liability | \$ 267,810 |
| Total pension liability - beginning | 4,966,731 |
| Total pension liability - ending (a) | <u>\$ 5,234,541</u> |
| Plan fiduciary net position | |
| Contributions - employer | \$ 130,031 |
| Contributions - employee | 66,050 |
| Net investment income | 646,555 |
| Benefit payments, including refunds of employee contributions | (204,448) |
| Administrative expense | (3,460) |
| Other | 34 |
| Net change in plan fiduciary net position | \$ 634,762 |
| Plan fiduciary net position - beginning | 4,111,536 |
| Plan fiduciary net position - ending (b) | <u>\$ 4,746,298</u> |
| School Division's net pension liability - ending (a) - (b) | \$ 488,243 |
| Plan fiduciary net position as a percentage of the total pension liability | 90.67% |
| Covered-employee payroll | \$ 1,270,337 |
| School Division's net pension liability as a percentage of covered-employee payroll | 38.43% |

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

County of Grayson, Virginia
Schedule of Employer Contributions
For the Year Ended June 30, 2015

| Date | Contractually Required Contribution (1) | Contributions in Relation to Contractually Required Contribution (2) | Contribution Deficiency (Excess) (3) | Employer's Covered Employee Payroll (4) | Contributions as a % of Covered Employee Payroll (5) |
|---|--|---|---|---|---|
| Primary Government | | | | | |
| 2015 | \$ 687,820 | \$ 687,820 | \$ - | \$ 3,641,117 | 18.89% |
| Component Unit School Board (nonprofessional) | | | | | |
| 2015 | \$ 123,832 | \$ 123,832 | \$ - | \$ 1,232,649 | 10.05% |
| Component Unit School Board (professional) | | | | | |
| 2015 | \$ 1,368,732 | \$ 1,368,732 | \$ - | \$ 9,484,994 | 14.43% |

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

County of Grayson, Virginia
Notes to Required Supplementary Information
June 30, 2015

Changes of benefit terms - There have been no significant changes to the System benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2013 and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.

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

Largest 10 - Non-LEOS:

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

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

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

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

All Others (Non 10 Largest) - LEOS:

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

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, 2015

| | Agency Funds | | | | Total |
|---|----------------------------|--------------------------|-------------------|-----------------------------|-------------------|
| | <u>Special Welfare</u> | <u>Building Code</u> | <u>ASAP</u> | <u>Regional Library</u> | |
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 17,619 | \$ 427 | \$ 162,912 | \$ 95,936 | \$ 276,894 |
| Investments | - | - | 172,272 | - | 172,272 |
| Total assets | <u>\$ 17,619</u> | <u>\$ 427</u> | <u>\$ 335,184</u> | <u>\$ 95,936</u> | <u>\$ 449,166</u> |
| LIABILITIES | | | | | |
| Amounts held for social services clients | \$ 17,619 | \$ - | \$ - | \$ - | \$ 17,619 |
| Amounts held for subsequent remittance to State for surcharge | - | 427 | - | - | 427 |
| Amounts held for Mt. Rogers Alcohol Safety Action Program | - | - | 335,184 | - | 335,184 |
| Amounts held for Grayson Regional Library | - | - | - | 95,936 | 95,936 |
| Total liabilities | <u>\$ 17,619</u> | <u>\$ 427</u> | <u>\$ 335,184</u> | <u>\$ 95,936</u> | <u>\$ 449,166</u> |

County of Grayson, Virginia
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2015

| | Agency Funds | | | |
|--|----------------------------|------------------|--------------------|-----------------------------|
| | Balance July 1, 2014 | Additions | Deductions | Balance June 30, 2015 |
| ASSETS | | | | |
| Cash and cash equivalents: | | | | |
| Special Welfare Fund | \$ 10,006 | \$ 61,069 | \$ (53,456) | \$ 17,619 |
| Building Code Fund | 374 | 1,794 | (1,741) | 427 |
| ASAP | 192,968 | 450,602 | (480,658) | 162,912 |
| Regional Library | 79,186 | 719,297 | (702,547) | 95,936 |
| Investments: | | | | |
| ASAP | 172,079 | 193 | - | 172,272 |
| Total assets | <u>454,613</u> | <u>1,232,955</u> | <u>(1,238,402)</u> | <u>449,166</u> |
| LIABILITIES | | | | |
| Amounts held for others: | | | | |
| Social services clients | \$ 10,006 | \$ 61,069 | \$ (53,456) | \$ 17,619 |
| Subsequent remittance to State for surcharge | 374 | 1,794 | (1,741) | 427 |
| Mt. Rogers Alcohol Safety Action Program | 365,047 | 450,795 | (480,658) | 335,184 |
| Grayson Regional Library | 79,186 | 719,297 | (702,547) | 95,936 |
| Total liabilities | <u>454,613</u> | <u>1,232,955</u> | <u>(1,238,402)</u> | <u>449,166</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, 2015

| | School Operating Fund |
|--|-----------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 35,893 |
| Receivables (net of allowance for uncollectibles): | |
| Accounts receivable | 51,510 |
| Due from other governmental units | 770,052 |
| Prepaid items | 257,447 |
| Total assets | <u>\$ 1,114,902</u> |
| LIABILITIES AND FUND BALANCES | |
| Liabilities: | |
| Accounts payable | \$ 136,125 |
| Accrued salaries | 803,882 |
| Due to primary government | 173,034 |
| Total liabilities | <u>\$ 1,113,041</u> |
| Fund balances: | |
| Nonspendable | |
| Prepaid items | \$ 257,447 |
| Committed | |
| Cafeteria | 1,661 |
| Unassigned | (257,247) |
| Total fund balances | <u>\$ 1,861</u> |
| Total liabilities and fund balances | <u>\$ 1,114,902</u> |
| Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because: | |
| Total fund balances per above | \$ 1,861 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | |
| Land | \$ 144,690 |
| Buildings and improvements | 2,667,309 |
| Machinery and equipment | <u>1,024,134</u> |
| | 3,836,133 |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. | |
| Items related to measurement of net pension liability | (2,578,328) |
| Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds. | 1,492,564 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. | |
| Compensated absences | \$ (184,839) |
| Net OPEB obligation | (483,100) |
| ERIP liability | (244,047) |
| Net pension liability | (15,926,243) |
| Adjustment for changes in proportionate share of net pension liability | <u>(32,000)</u> |
| | (16,870,229) |
| Net position of governmental activities | <u>\$ (14,117,999)</u> |

County of Grayson, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2015

| | School Operating Fund |
|--|-----------------------------|
| REVENUES | |
| Revenue from the use of money and property | \$ 27 |
| Charges for services | 251,501 |
| Miscellaneous | 128,672 |
| Recovered costs | 554,463 |
| Intergovernmental: | |
| Local government | 5,841,758 |
| Commonwealth | 11,612,484 |
| Federal | 2,797,393 |
| Total revenues | <u>\$ 21,186,298</u> |
| EXPENDITURES | |
| Current: | |
| Education | \$ 21,184,437 |
| Total expenditures | <u>\$ 21,184,437</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ 1,861</u> |
| Net change in fund balances | \$ 1,861 |
| Fund balances - beginning | - |
| Fund balances - ending | <u><u>\$ 1,861</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 | \$ 1,861 |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation exceeded capital outlay in the current period. | |
| Capital outlay | \$ 306,435 |
| Depreciation expense | <u>(583,038)</u> |
| | (276,603) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | |
| Change in deferred inflows related to the measurement of the net pension liability | (2,610,328) |
| 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 | \$ 329,162 |
| Change in net OPEB obligation | 63,877 |
| Change in ERIP liability | (31,100) |
| Change in net pension liability | 2,565,952 |
| Change in deferred outflows related to pensions | <u>272,533</u> |
| | 3,200,424 |
| Change in net position of governmental activities | <u><u>\$ 315,354</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, 2015

| | School Operating Fund | | | Variance with Final Budget Positive (Negative) |
|---|-----------------------|----------------------|----------------------|---|
| | Budgeted Amounts | | Actual | |
| | Original | Final | | |
| REVENUES | | | | |
| Revenue from the use of money and property | \$ - | \$ - | \$ 27 | \$ 27 |
| Charges for services | - | - | 251,501 | 251,501 |
| Miscellaneous | 285,632 | 285,632 | 128,672 | (156,960) |
| Recovered costs | 1,401,002 | 1,401,002 | 554,463 | (846,539) |
| Intergovernmental: | | | | |
| Local government | 4,965,702 | 4,965,702 | 5,841,758 | 876,056 |
| Commonwealth | 11,981,701 | 11,981,701 | 11,612,484 | (369,217) |
| Federal | 3,057,410 | 3,057,410 | 2,797,393 | (260,017) |
| Total revenues | <u>\$ 21,691,447</u> | <u>\$ 21,691,447</u> | <u>\$ 21,186,298</u> | <u>\$ (505,149)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Education | <u>\$ 21,691,447</u> | <u>\$ 21,691,447</u> | <u>\$ 21,184,437</u> | <u>\$ 507,010</u> |
| Total expenditures | <u>\$ 21,691,447</u> | <u>\$ 21,691,447</u> | <u>\$ 21,184,437</u> | <u>\$ 507,010</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,861</u> | <u>\$ 1,861</u> |
| Net change in fund balances | \$ - | \$ - | \$ 1,861 | \$ 1,861 |
| Fund balances - beginning | - | - | - | - |
| Fund balances - ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,861</u> | <u>\$ 1,861</u> |

Supporting Schedules

County of Grayson, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2015

Schedule 1
Page 1 of 4

| <u>Fund, Major and Minor Revenue Source</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|--|----------------------------|-------------------------|---------------|---|
| General Fund: | | | | |
| Revenue from local sources: | | | | |
| General property taxes: | | | | |
| Real property taxes | \$ 7,755,000 | \$ 7,755,000 | \$ 7,991,830 | \$ 236,830 |
| Real and personal public service corporation taxes | 200,000 | 200,000 | 179,685 | (20,315) |
| Personal property taxes | 1,190,000 | 1,190,000 | 1,147,318 | (42,682) |
| Mobile home taxes | 23,000 | 23,000 | 21,358 | (1,642) |
| Machinery and tools taxes | 80,000 | 80,000 | 128,647 | 48,647 |
| Merchant's capital | 32,000 | 32,000 | 39,588 | 7,588 |
| Penalties | 60,000 | 60,000 | 81,767 | 21,767 |
| Interest | 80,000 | 80,000 | 152,549 | 72,549 |
| Total general property taxes | \$ 9,420,000 | \$ 9,420,000 | \$ 9,742,742 | \$ 322,742 |
| Other local taxes: | | | | |
| Local sales and use taxes | \$ 380,000 | \$ 380,000 | \$ 427,736 | \$ 47,736 |
| Consumers' utility taxes | 335,000 | 335,000 | 341,226 | 6,226 |
| Consumption taxes | 35,000 | 35,000 | 36,459 | 1,459 |
| Motor vehicle licenses | 285,000 | 285,000 | 272,143 | (12,857) |
| Recordation taxes | 60,000 | 60,000 | 102,894 | 42,894 |
| Hotel and motel room taxes | 12,000 | 12,000 | 25,733 | 13,733 |
| Bank stock tax | 11,000 | 11,000 | 10,568 | (432) |
| Total other local taxes | \$ 1,118,000 | \$ 1,118,000 | \$ 1,216,759 | \$ 98,759 |
| Permits, privilege fees, and regulatory licenses: | | | | |
| Animal licenses | \$ 8,000 | \$ 8,000 | \$ 9,365 | \$ 1,365 |
| Zoning permits | 2,700 | 2,700 | 844 | (1,856) |
| Transfer fees | 500 | 500 | 746 | 246 |
| Erosion control | 4,000 | 4,000 | 1,228 | (2,772) |
| Building permits | 58,000 | 58,000 | 62,838 | 4,838 |
| Other permits | 5,000 | 5,000 | 1,751 | (3,249) |
| Total permits, privilege fees, and regulatory licenses | \$ 78,200 | \$ 78,200 | \$ 76,772 | \$ (1,428) |
| Fines and forfeitures: | | | | |
| Court fines and forfeitures | \$ 18,000 | \$ 18,000 | \$ 20,858 | \$ 2,858 |
| Revenue from use of money and property: | | | | |
| Revenue from use of money | \$ 8,500 | \$ 8,500 | \$ 8,109 | \$ (391) |
| Revenue from use of property | 10,000 | 10,000 | 4,740 | (5,260) |
| Total revenue from use of money and property | \$ 18,500 | \$ 18,500 | \$ 12,849 | \$ (5,651) |
| Charges for services: | | | | |
| Charges for trash fees | \$ 1,066,000 | \$ 1,066,000 | \$ 1,117,499 | \$ 51,499 |
| Charges for sanitation and waste removal | 427,000 | 427,000 | 317,054 | (109,946) |
| Charges for recycling | 50,000 | 50,117 | 52,269 | 2,152 |
| Charges for parks and recreation | 55,000 | 55,000 | 72,448 | 17,448 |
| Charges for courtroom security | 27,850 | 27,850 | 14,124 | (13,726) |
| Charges for Commonwealth's Attorney | 1,000 | 1,000 | 3,160 | 2,160 |
| Charges for courthouse maintenance | - | - | 3,313 | 3,313 |
| Charges for administration | 5,250 | 5,751 | 14,152 | 8,401 |
| Charges for law enforcement | 6,000 | 6,000 | 10,311 | 4,311 |
| Total charges for services | \$ 1,638,100 | \$ 1,638,718 | \$ 1,604,330 | \$ (34,388) |
| Miscellaneous revenue: | | | | |
| Miscellaneous | \$ 282,800 | \$ 339,724 | \$ 163,226 | \$ (176,498) |

County of Grayson, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2015

Schedule 1
Page 2 of 4

| <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) | | | | |
| Recovered costs: | | | | |
| City of Galax | \$ 285,000 | \$ 285,000 | \$ 250,292 | \$ (34,708) |
| School resource officer | 40,000 | 40,000 | 35,027 | (4,973) |
| DSS | 50,000 | 50,000 | 49,585 | (415) |
| VASAP | - | - | 110,273 | 110,273 |
| Other recovered costs | 42,000 | 42,000 | 79,215 | 37,215 |
| Total recovered costs | <u>\$ 417,000</u> | <u>\$ 417,000</u> | <u>\$ 524,392</u> | <u>\$ 107,392</u> |
| Total revenue from local sources | <u>\$ 12,990,600</u> | <u>\$ 13,048,142</u> | <u>\$ 13,361,928</u> | <u>\$ 313,786</u> |
| Intergovernmental: | | | | |
| Revenue from the Commonwealth: | | | | |
| Noncategorical aid: | | | | |
| Motor vehicle rolling stock tax | \$ 500 | \$ 500 | \$ 130 | \$ (370) |
| Mobile home titling tax | 12,000 | 12,000 | 9,260 | (2,740) |
| Motor vehicle rental tax | 500 | 500 | 19 | (481) |
| Recordation tax | 17,500 | 17,500 | 31,481 | 13,981 |
| State budget reduction | - | - | (36,134) | (36,134) |
| Communication tax | 350,000 | 350,000 | 379,559 | 29,559 |
| Personal property tax relief funds | 430,000 | 430,000 | 437,787 | 7,787 |
| Total noncategorical aid | <u>\$ 810,500</u> | <u>\$ 810,500</u> | <u>\$ 822,102</u> | <u>\$ 11,602</u> |
| Categorical aid: | | | | |
| Shared expenses: | | | | |
| Commonwealth's attorney | \$ 295,852 | \$ 295,852 | \$ 265,888 | \$ (29,964) |
| Sheriff | 955,022 | 955,022 | 957,057 | 2,035 |
| Commissioner of revenue | 82,701 | 82,701 | 81,978 | (723) |
| Treasurer | 88,526 | 88,526 | 88,162 | (364) |
| Registrar/electoral board | 36,122 | 36,122 | 36,560 | 438 |
| Clerk of the Circuit Court | 212,450 | 212,450 | 221,419 | 8,969 |
| Total shared expenses | <u>\$ 1,670,673</u> | <u>\$ 1,670,673</u> | <u>\$ 1,651,064</u> | <u>\$ (19,609)</u> |
| Other categorical aid: | | | | |
| Public assistance and welfare administration | \$ 702,274 | \$ 702,274 | \$ 716,716 | \$ 14,442 |
| Comprehensive services act | 552,370 | 552,370 | 542,163 | (10,207) |
| VJCCA | 75,941 | 75,941 | 45,188 | (30,753) |
| Fire programs | 35,000 | 35,000 | - | (35,000) |
| EMS grants | 15,000 | 15,000 | 54,154 | 39,154 |
| Victim witness | 28,932 | 28,932 | 29,800 | 868 |
| Law enforcement grants | 103,260 | 103,260 | 43,484 | (59,776) |
| Tourism grant | 2,000 | 2,000 | 15,628 | 13,628 |
| E911 grants | 25,000 | 25,000 | - | (25,000) |
| Litter grant | 6,000 | 6,000 | 7,382 | 1,382 |
| Asset forfeiture | 6,939 | 6,939 | 35,081 | 28,142 |
| Other state funds | 2,000 | 2,000 | 3,000 | 1,000 |
| Total other categorical aid | <u>\$ 1,554,716</u> | <u>\$ 1,554,716</u> | <u>\$ 1,492,596</u> | <u>\$ (62,120)</u> |
| Total categorical aid | <u>\$ 3,225,389</u> | <u>\$ 3,225,389</u> | <u>\$ 3,143,660</u> | <u>\$ (81,729)</u> |
| Total revenue from the Commonwealth | <u>\$ 4,035,889</u> | <u>\$ 4,035,889</u> | <u>\$ 3,965,762</u> | <u>\$ (70,127)</u> |
| Revenue from the federal government: | | | | |
| Noncategorical aid: | | | | |
| Payments in lieu of taxes | \$ 10,000 | \$ 10,000 | \$ 11,283 | \$ 1,283 |

County of Grayson, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2015

Schedule 1
Page 3 of 4

| <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: (Continued) | | | | |
| Categorical aid: | | | | |
| Public assistance and welfare administration | \$ 1,053,249 | \$ 1,053,249 | \$ 1,053,249 | \$ - |
| Byrne justice assistance grant | - | - | 22,792 | 22,792 |
| Law enforcement grants | - | - | 8,294 | 8,294 |
| Emergency preparedness | - | - | 7,500 | 7,500 |
| Stormwater grants | - | 1,202 | 6,520 | 5,318 |
| Comprehensive services act | - | - | 10,306 | 10,306 |
| Greenway improvement grants | 670,812 | 670,812 | 31,197 | (639,615) |
| Total categorical aid | <u>\$ 1,724,061</u> | <u>\$ 1,725,263</u> | <u>\$ 1,139,858</u> | <u>\$ (585,405)</u> |
| Total revenue from the federal government | <u>\$ 1,734,061</u> | <u>\$ 1,735,263</u> | <u>\$ 1,151,141</u> | <u>\$ (584,122)</u> |
| Total General Fund | <u>\$ 18,760,550</u> | <u>\$ 18,819,294</u> | <u>\$ 18,478,831</u> | <u>\$ (340,463)</u> |
| Special Revenue Fund: | | | | |
| Economic Development Fund: | | | | |
| Revenue from local sources: | | | | |
| Revenue from use of money and property: | | | | |
| Revenue from the use of money | \$ - | \$ - | \$ 836 | \$ 836 |
| Miscellaneous revenue: | | | | |
| Other miscellaneous | \$ - | \$ - | \$ 36,698 | \$ 36,698 |
| Total revenue from local sources | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 37,534</u> | <u>\$ 37,534</u> |
| Revenue from the Commonwealth: | | | | |
| Categorical aid: | | | | |
| Tobacco commission grant | \$ - | \$ 1,615,200 | 2,140,000 | \$ 524,800 |
| Total revenue from the Commonwealth | <u>\$ -</u> | <u>\$ 1,615,200</u> | <u>\$ 2,140,000</u> | <u>\$ 524,800</u> |
| Total Economic Development Fund | <u>\$ -</u> | <u>\$ 1,615,200</u> | <u>\$ 2,177,534</u> | <u>\$ 562,334</u> |
| Total Primary Government | <u>\$ 18,760,550</u> | <u>\$ 20,434,494</u> | <u>\$ 20,656,365</u> | <u>\$ 221,871</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 | \$ - | \$ - | \$ 27 | \$ 27 |
| Charges for services: | | | | |
| Cafeteria sales | \$ - | \$ - | \$ 251,501 | \$ 251,501 |
| Miscellaneous revenue: | | | | |
| Other miscellaneous | \$ 285,632 | \$ 285,632 | \$ 128,672 | \$ (156,960) |
| Recovered costs: | | | | |
| Dual credit recovered costs | \$ 328,000 | \$ 328,000 | \$ 239,319 | \$ (88,681) |
| E-rate recovered costs | 400,000 | 400,000 | 202,307 | (197,693) |
| Other recovered costs | 673,002 | 673,002 | 112,837 | (560,165) |
| Total recovered costs | <u>\$ 1,401,002</u> | <u>\$ 1,401,002</u> | <u>\$ 554,463</u> | <u>\$ (846,539)</u> |
| Total revenue from local sources | <u>\$ 1,686,634</u> | <u>\$ 1,686,634</u> | <u>\$ 934,663</u> | <u>\$ (751,971)</u> |
| Intergovernmental: | | | | |
| Revenues from local governments: | | | | |
| Contribution from County of Grayson, Virginia | <u>\$ 4,965,702</u> | <u>\$ 4,965,702</u> | <u>\$ 5,841,758</u> | <u>\$ 876,056</u> |

County of Grayson, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2015

Schedule 1
Page 4 of 4

| <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: | | | | |
| Categorical aid: | | | | |
| Share of state sales tax | \$ 2,050,821 | \$ 2,050,821 | \$ 2,073,080 | \$ 22,259 |
| Basic school aid | 6,133,460 | 6,133,460 | 5,865,023 | (268,437) |
| Remedial summer education | 96,359 | 96,359 | 83,696 | (12,663) |
| Foster care | - | - | 3,687 | 3,687 |
| ISAP | 7,859 | 7,859 | 7,859 | - |
| Gifted and talented | 54,199 | 54,199 | 52,307 | (1,892) |
| Remedial education | 244,474 | 244,474 | 235,939 | (8,535) |
| Jobs for VA graduates | 21,000 | 21,000 | 21,000 | - |
| Special education | 633,095 | 633,095 | 610,992 | (22,103) |
| Textbook payment | 110,959 | 110,959 | 107,084 | (3,875) |
| School nutrition | 18,530 | 18,530 | 14,670 | (3,860) |
| Vocational standards of quality payments | 261,771 | 261,771 | 252,632 | (9,139) |
| Vocational adult education | - | - | 501 | 501 |
| Vocational education equipment | - | - | 4,997 | 4,997 |
| Social security fringe benefits | 392,081 | 392,081 | 378,392 | (13,689) |
| Retirement fringe benefits | 802,612 | 802,612 | 769,026 | (33,586) |
| Group life insurance fringe benefit | 27,676 | 27,676 | 23,371 | (4,305) |
| Early reading intervention | 37,331 | 37,331 | 35,246 | (2,085) |
| Special education - Homebound | 26,864 | 26,864 | 18,364 | (8,500) |
| Special education - tuition | 139,531 | 139,531 | 121,669 | (17,862) |
| Vocational occupational preparedness | 28,647 | 28,647 | 26,650 | (1,997) |
| At risk payments | 296,559 | 296,559 | 286,118 | (10,441) |
| At risk four year olds | 164,833 | 164,833 | 164,783 | (50) |
| Primary class size | 108,900 | 108,900 | 115,189 | 6,289 |
| Technology | 232,000 | 232,000 | 273,755 | 41,755 |
| Industry certification cost | - | - | 2,711 | 2,711 |
| English as a second language | 17,950 | 17,950 | 13,849 | (4,101) |
| Standards of Learning algebra readiness | 27,691 | 27,691 | 27,578 | (113) |
| National board certified teacher | - | - | 12,500 | 12,500 |
| Other categorical aid | 46,499 | 46,499 | 9,816 | (36,683) |
| Total categorical aid | \$ 11,981,701 | \$ 11,981,701 | \$ 11,612,484 | \$ (369,217) |
| Total revenue from the Commonwealth | \$ 11,981,701 | \$ 11,981,701 | \$ 11,612,484 | \$ (369,217) |
| Revenue from the federal government: | | | | |
| Categorical aid: | | | | |
| Forest reserve fund | \$ - | \$ - | \$ 59,309 | \$ 59,309 |
| Title I | 649,910 | 649,910 | 567,522 | (82,388) |
| Title VI-B, special education flow-through | 463,938 | 463,938 | 484,767 | 20,829 |
| Title VI-B, special education pre-school | 22,008 | 22,008 | 26,928 | 4,920 |
| Language acquisition | 3,565 | 3,565 | - | (3,565) |
| 21st century learning grants | 994,179 | 994,179 | 676,938 | (317,241) |
| Migrant education | 4,210 | 4,210 | - | (4,210) |
| National school breakfast program | 183,063 | 183,063 | 183,063 | - |
| National school lunch breakfast program | 573,679 | 573,679 | 604,586 | 30,907 |
| Improving teacher quality | 112,858 | 112,858 | 95,465 | (17,393) |
| Perkins vocational education | 50,000 | 50,000 | 40,689 | (9,311) |
| Title VI, rural and low income school administration | - | - | 58,126 | 58,126 |
| Total categorical aid | \$ 3,057,410 | \$ 3,057,410 | \$ 2,797,393 | \$ (260,017) |
| Total revenue from the federal government | \$ 3,057,410 | \$ 3,057,410 | \$ 2,797,393 | \$ (260,017) |
| Total School Operating Fund | \$ 21,691,447 | \$ 21,691,447 | \$ 21,186,298 | \$ (505,149) |
| Total Discretely Presented Component Unit - School Board | \$ 21,691,447 | \$ 21,691,447 | \$ 21,186,298 | \$ (505,149) |

County of Grayson, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2015

Schedule 2
Page 1 of 3

| <u>Fund, Function, Activity, and Element</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|---|----------------------------|-------------------------|---------------|---|
| General Fund: | | | | |
| General government administration: | | | | |
| Legislative: | | | | |
| Board of supervisors | \$ 58,606 | \$ 58,606 | \$ 47,353 | \$ 11,253 |
| General and financial administration: | | | | |
| County administrator | \$ 463,021 | \$ 463,371 | \$ 577,565 | \$ (114,194) |
| Audit services | 80,000 | 80,575 | 91,370 | (10,795) |
| Legal services | 50,000 | 50,000 | 27,266 | 22,734 |
| Commissioner of revenue | 270,249 | 270,402 | 248,485 | 21,917 |
| Reassessment | 19,000 | 19,000 | 160,787 | (141,787) |
| Treasurer | 307,679 | 307,879 | 314,040 | (6,161) |
| Information technology | 93,949 | 93,949 | 77,253 | 16,696 |
| Other general and financial administration | 34,000 | 34,000 | 14,022 | 19,978 |
| Total general and financial administration | \$ 1,317,898 | \$ 1,319,176 | \$ 1,510,788 | \$ (191,612) |
| Board of elections: | | | | |
| Electoral board and officials | \$ 62,170 | \$ 62,170 | \$ 35,156 | \$ 27,014 |
| Registrar | 83,667 | 83,923 | 81,046 | 2,877 |
| Total board of elections | \$ 145,837 | \$ 146,093 | \$ 116,202 | \$ 29,891 |
| Total general government administration | \$ 1,522,341 | \$ 1,523,875 | \$ 1,674,343 | \$ (150,468) |
| Judicial administration: | | | | |
| Courts: | | | | |
| Circuit court | \$ 18,300 | \$ 18,300 | \$ 16,633 | \$ 1,667 |
| General district court | 9,450 | 9,559 | 5,153 | 4,406 |
| Special magistrates | 1,650 | 1,650 | 694 | 956 |
| VJCCA | 82,441 | 82,441 | 77,131 | 5,310 |
| Courtroom security | 38,386 | 38,386 | 11,599 | 26,787 |
| Law library | 800 | 800 | 390 | 410 |
| Victim witness | 49,919 | 49,919 | 46,202 | 3,717 |
| Clerk of the circuit court | 376,253 | 378,235 | 320,742 | 57,493 |
| Total courts | \$ 577,199 | \$ 579,290 | \$ 478,544 | \$ 100,746 |
| Commonwealth's attorney: | | | | |
| Commonwealth's attorney | \$ 390,065 | \$ 390,065 | \$ 345,960 | \$ 44,105 |
| Total judicial administration | \$ 967,264 | \$ 969,355 | \$ 824,504 | \$ 144,851 |
| Public safety: | | | | |
| Law enforcement and traffic control: | | | | |
| Sheriff | \$ 2,152,231 | \$ 2,184,000 | \$ 2,113,041 | \$ 70,959 |
| Fire and rescue services: | | | | |
| Volunteer fire department | \$ 193,580 | \$ 194,081 | \$ 152,079 | \$ 42,002 |
| Ambulance and rescue services | 224,600 | 224,600 | 209,417 | 15,183 |
| E-911 fund | 183,126 | 183,126 | 183,125 | 1 |
| Total fire and rescue services | \$ 601,306 | \$ 601,807 | \$ 544,621 | \$ 57,186 |
| Correction and detention: | | | | |
| New River Valley Regional Jail payments | \$ 600,000 | \$ 600,000 | \$ 599,000 | \$ 1,000 |
| New River Valley Juvenile Detention Center payments | 37,800 | 37,800 | 35,122 | 2,678 |
| Total correction and detention | \$ 637,800 | \$ 637,800 | \$ 634,122 | \$ 3,678 |
| Inspections: | | | | |
| Building | \$ 136,757 | \$ 137,263 | \$ 130,639 | \$ 6,624 |

County of Grayson, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2015

Schedule 2
Page 2 of 3

| <u>Fund, Function, Activity, and Element</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|--|----------------------------|-------------------------|---------------|---|
| General Fund: (Continued) | | | | |
| Public safety: (Continued) | | | | |
| Other protection: | | | | |
| Animal warden | \$ 114,676 | \$ 106,676 | \$ 103,847 | \$ 2,829 |
| Day report | 61,467 | 60,892 | 53,584 | 7,308 |
| Medical examiner | 500 | 500 | 120 | 380 |
| Emergency services | 10,000 | 19,740 | 19,737 | 3 |
| Total other protection | \$ 186,643 | \$ 187,808 | \$ 177,288 | \$ 10,520 |
| Total public safety | \$ 3,714,737 | \$ 3,748,678 | \$ 3,599,711 | \$ 148,967 |
| Public works: | | | | |
| Sanitation and waste removal: | | | | |
| Refuse collection | \$ 803,868 | \$ 828,868 | \$ 986,139 | \$ (157,271) |
| Refuse disposal | 337,500 | 345,500 | 349,498 | (3,998) |
| Recycling program | 113,409 | 112,409 | 111,224 | 1,185 |
| Total sanitation and waste removal | \$ 1,254,777 | \$ 1,286,777 | \$ 1,446,861 | \$ (160,084) |
| Maintenance of general buildings and grounds: | | | | |
| General properties | \$ 158,046 | \$ 161,606 | \$ 140,451 | \$ 21,155 |
| Public works | 47,300 | 49,450 | 48,863 | 587 |
| Jail building | 27,650 | 27,650 | 22,545 | 5,105 |
| Courthouse | 150,942 | 150,942 | 131,513 | 19,429 |
| Health center | 4,050 | 4,050 | 2,803 | 1,247 |
| Other maintenance | 25,000 | 25,000 | 7,142 | 17,858 |
| Total maintenance of general buildings and grounds | \$ 412,988 | \$ 418,698 | \$ 353,317 | \$ 65,381 |
| Total public works | \$ 1,667,765 | \$ 1,705,475 | \$ 1,800,178 | \$ (94,703) |
| Health and welfare: | | | | |
| Health: | | | | |
| Supplement of local health department | \$ 172,444 | \$ 172,444 | \$ 172,444 | \$ - |
| Mental health and mental retardation: | | | | |
| Mt. Rogers Community Services Board | \$ 51,000 | \$ 51,000 | \$ 51,000 | \$ - |
| Welfare: | | | | |
| Welfare administration and programs | \$ 1,983,242 | \$ 1,983,242 | \$ 1,971,785 | \$ 11,457 |
| Comprehensive services act | 788,010 | 788,010 | 788,010 | - |
| Area office on aging | 14,027 | 14,027 | 14,027 | - |
| Total welfare | \$ 2,785,279 | \$ 2,785,279 | \$ 2,773,822 | \$ 11,457 |
| Total health and welfare | \$ 3,008,723 | \$ 3,008,723 | \$ 2,997,266 | \$ 11,457 |
| Education: | | | | |
| Other instructional costs: | | | | |
| Contribution to Community College | \$ 19,324 | \$ 19,324 | \$ 19,324 | \$ - |
| Contribution to County School Board | 4,965,702 | 4,965,702 | 5,841,758 | (876,056) |
| Total education | \$ 4,985,026 | \$ 4,985,026 | \$ 5,861,082 | \$ (876,056) |
| Parks, recreation, and cultural: | | | | |
| Parks and recreation: | | | | |
| Recreational | \$ 239,723 | \$ 237,612 | \$ 194,109 | \$ 43,503 |
| Library: | | | | |
| Contribution to regional library | \$ 243,500 | \$ 243,500 | \$ 243,500 | \$ - |
| Total parks, recreation, and cultural | \$ 483,223 | \$ 481,112 | \$ 437,609 | \$ 43,503 |

County of Grayson, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2015

Schedule 2
Page 3 of 3

| <u>Fund, Function, Activity, and Element</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|--|----------------------------|-------------------------|----------------------|---|
| General Fund: (Continued) | | | | |
| Community development: | | | | |
| Planning and community development: | | | | |
| Planning commission | \$ 18,304 | \$ 18,304 | \$ 10,328 | \$ 7,976 |
| Tourism development | 41,000 | 41,000 | 37,232 | 3,768 |
| Twin county airport | 50,460 | 50,460 | 43,241 | 7,219 |
| Multi-flora rose | 500 | 500 | 403 | 97 |
| Economic development | 637,022 | 632,777 | 303,645 | 329,132 |
| Other community development | 65,000 | 65,000 | 59,800 | 5,200 |
| Total planning and community development | <u>\$ 812,286</u> | <u>\$ 808,041</u> | <u>\$ 454,649</u> | <u>\$ 353,392</u> |
| Environmental management: | | | | |
| Contribution to soil and water district | \$ 5,000 | \$ 5,000 | \$ 3,000 | \$ 2,000 |
| Storm water maintenance | 19,665 | 15,297 | 35,971 | (20,674) |
| Total environmental management | <u>\$ 24,665</u> | <u>\$ 20,297</u> | <u>\$ 38,971</u> | <u>\$ (18,674)</u> |
| Cooperative extension program: | | | | |
| Extension office | \$ 68,491 | \$ 68,491 | \$ 57,488 | \$ 11,003 |
| Total community development | <u>\$ 905,442</u> | <u>\$ 896,829</u> | <u>\$ 551,108</u> | <u>\$ 345,721</u> |
| Capital projects: | | | | |
| Recreational trails | \$ 670,812 | \$ 670,812 | \$ 2,750 | \$ 668,062 |
| Courthouse elevator | - | - | 188,711 | (188,711) |
| Other capital projects | - | - | 26,821 | (26,821) |
| Total capital projects | <u>\$ 670,812</u> | <u>\$ 670,812</u> | <u>\$ 218,282</u> | <u>\$ 452,530</u> |
| Debt service: | | | | |
| Principal retirement | \$ 1,216,420 | \$ 917,873 | \$ 822,434 | \$ 95,439 |
| Interest and other fiscal charges | 1,027,099 | 775,015 | 694,431 | 80,584 |
| Total debt service | <u>\$ 2,243,519</u> | <u>\$ 1,692,888</u> | <u>\$ 1,516,865</u> | <u>\$ 176,023</u> |
| Total General Fund | <u>\$ 20,168,852</u> | <u>\$ 19,682,773</u> | <u>\$ 19,480,948</u> | <u>\$ 201,825</u> |
| Special Revenue Fund: | | | | |
| Economic Development Fund | | | | |
| Community Development: | | | | |
| Economic development | \$ - | \$ 1,615,200 | \$ 2,403,328 | \$ (788,128) |
| Total Economic Development Fund | <u>\$ -</u> | <u>\$ 1,615,200</u> | <u>\$ 2,403,328</u> | <u>\$ (788,128)</u> |
| Total Primary Government | <u>\$ 20,168,852</u> | <u>\$ 21,297,973</u> | <u>\$ 21,884,276</u> | <u>\$ (586,303)</u> |
| Discretely Presented Component Unit - School Board | | | | |
| School Operating Fund: | | | | |
| Education: | | | | |
| Administration of schools: | | | | |
| Administration, attendance and health | \$ 841,172 | \$ 841,172 | \$ 858,707 | \$ (17,535) |
| Instructional costs: | | | | |
| Classroom instruction | \$ 16,379,163 | \$ 16,379,163 | \$ 15,347,499 | \$ 1,031,664 |
| Operating costs: | | | | |
| School food | \$ 819,982 | \$ 819,982 | \$ 1,081,735 | \$ (261,753) |
| Pupil transportation | 1,717,868 | 1,717,868 | 1,665,173 | 52,695 |
| Operation and maintenance of school plant | 1,933,262 | 1,933,262 | 2,231,323 | (298,061) |
| Total operating costs | <u>\$ 4,471,112</u> | <u>\$ 4,471,112</u> | <u>\$ 4,978,231</u> | <u>\$ (507,119)</u> |
| Total Education | <u>\$ 21,691,447</u> | <u>\$ 21,691,447</u> | <u>\$ 21,184,437</u> | <u>\$ 507,010</u> |
| Total Discretely Presented Component Unit - School Board | <u>\$ 21,691,447</u> | <u>\$ 21,691,447</u> | <u>\$ 21,184,437</u> | <u>\$ 507,010</u> |

Other Statistical Information

Table 1

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

| Fiscal Year | General Government Administration | Judicial Administration | Public Safety | Public Works | Health and Welfare | Education | Parks, Recreation, and Cultural | Community Development | Interest on Long-Term Debt | Water Authority | Total |
|-------------|-----------------------------------|-------------------------|---------------|--------------|--------------------|--------------|---------------------------------|-----------------------|----------------------------|-----------------|---------------|
| 2014-15 | \$ 1,427,523 | \$ 834,684 | \$ 3,434,969 | \$ 1,826,856 | \$ 2,866,899 | \$ 6,361,306 | \$ 446,006 | \$ 2,989,423 | \$ 602,957 | \$ 242,411 | \$ 21,033,034 |
| 2013-14 | 1,162,628 | 852,464 | 3,402,712 | 1,725,831 | 2,827,869 | 5,668,170 | 441,542 | 757,907 | 612,569 | 256,916 | 17,708,608 |
| 2012-13 | 979,020 | 791,486 | 3,265,425 | 1,297,578 | 2,563,894 | 4,980,545 | 471,473 | 764,628 | 641,036 | 278,561 | 16,033,646 |
| 2011-12 | 1,008,351 | 773,326 | 3,160,218 | 1,199,271 | 2,562,695 | 5,169,448 | 413,036 | 724,623 | 544,422 | 263,930 | 15,819,320 |
| 2010-11 | 1,086,469 | 789,512 | 2,991,393 | 1,326,795 | 2,377,040 | 4,960,032 | 451,087 | 703,919 | 665,468 | 250,913 | 15,602,628 |
| 2009-10 | 1,220,378 | 613,634 | 3,061,422 | 1,382,333 | 2,492,346 | 4,416,305 | 320,739 | 1,216,399 | 685,093 | 173,138 | 15,581,787 |
| 2008-09 | 1,123,374 | 693,287 | 2,826,665 | 1,283,720 | 2,590,431 | 3,735,678 | 433,753 | 935,741 | 681,982 | 150,575 | 14,455,206 |
| 2007-08 | 893,250 | 683,193 | 2,487,752 | 1,274,895 | 2,438,176 | 4,603,796 | 453,423 | 650,528 | 343,186 | 142,093 | 13,970,292 |
| 2006-07 | 849,213 | 651,875 | 2,323,227 | 1,110,438 | 2,343,146 | 3,515,508 | 203,336 | 437,541 | 105,426 | 157,779 | 11,697,489 |
| 2005-06 | 824,348 | 662,423 | 2,359,612 | 1,146,742 | 2,385,991 | 3,299,957 | 184,361 | 396,003 | 18,590 | 133,723 | 11,411,750 |

Table 2

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

| Fiscal Year | PROGRAM REVENUES | | | | GENERAL REVENUES | | | | | |
|-------------|----------------------|------------------------------------|----------------------------------|--|------------------------|-------------------|----------------------------------|---------------|--|---------------|
| | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | | General Property Taxes | Other Local Taxes | Unrestricted Investment Earnings | Miscellaneous | Grants and Contributions Not Restricted to Specific Programs | Total |
| 2014-15 | \$ 1,873,127 | \$ 6,416,998 | \$ 117,736 | | \$ 9,952,630 | \$ 1,216,759 | \$ 13,685 | \$ 199,924 | \$ 833,385 | \$ 20,624,244 |
| 2013-14 | 1,839,717 | 4,226,419 | 295,086 | | 9,860,779 | 1,176,665 | 15,948 | 159,300 | 887,267 | 18,461,181 |
| 2012-13 | 1,917,268 | 2,853,619 | - | | 9,882,433 | 1,168,873 | 55,428 | 172,230 | 890,996 | 16,940,847 |
| 2011-12 | 1,892,336 | 3,702,651 | 77,814 | | 9,854,958 | 1,207,281 | 49,575 | 223,235 | 858,516 | 17,866,366 |
| 2010-11 | 1,774,251 | 3,530,700 | 1,130,667 | | 9,705,791 | 1,187,265 | 46,102 | 116,907 | 901,066 | 18,392,749 |
| 2009-10 | 1,651,962 | 4,710,759 | 591,384 | | 7,102,465 | 1,253,058 | 60,409 | 237,769 | 886,581 | 16,494,387 |
| 2008-09 | 479,492 | 4,062,893 | - | | 6,399,521 | 1,666,459 | 348,547 | 98,332 | 596,129 | 13,651,373 |
| 2007-08 | 507,496 | 3,818,437 | 6,520 | | 6,181,765 | 1,716,432 | 320,763 | 120,632 | 590,274 | 13,262,319 |
| 2006-07 | 397,917 | 3,629,836 | 185,121 | | 6,112,092 | 1,668,962 | 296,834 | 224,502 | 596,605 | 13,111,869 |
| 2005-06 | 408,753 | 2,766,331 | - | | 6,051,456 | 1,582,387 | 302,936 | 385,391 | 1,543,352 | 13,040,606 |

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 |
|-------------|-----------------------------------|-------------------------|---------------|--------------|--------------------|---------------|---------------------------------|-----------------------|--------------|---------------|
| 2014-15 | \$ 1,674,343 | \$ 824,504 | \$ 3,599,711 | \$ 1,800,178 | \$ 2,997,266 | \$ 21,203,761 | \$ 437,609 | \$ 2,954,436 | \$ 1,516,865 | \$ 37,008,673 |
| 2013-14 | 1,334,380 | 846,279 | 3,625,690 | 1,689,509 | 2,900,826 | 21,562,711 | 440,943 | 770,461 | 625,865 | 33,796,664 |
| 2012-13 | 1,222,809 | 786,241 | 3,240,572 | 1,497,117 | 2,569,675 | 22,071,949 | 462,165 | 700,556 | 18,773,245 | 51,324,329 |
| 2011-12 | 1,217,199 | 763,200 | 3,230,783 | 1,403,871 | 2,578,416 | 20,668,911 | 432,114 | 669,680 | 19,077,039 | 50,041,213 |
| 2010-11 | 1,293,198 | 781,229 | 2,897,363 | 2,123,915 | 2,367,933 | 22,516,521 | 494,889 | 657,763 | 2,438,853 | 35,571,664 |
| 2009-10 | 1,394,457 | 736,291 | 3,044,741 | 1,358,343 | 2,484,195 | 21,473,545 | 480,181 | 1,169,713 | 2,712,923 | 34,854,389 |
| 2008-09 | 1,262,259 | 701,381 | 2,869,603 | 1,295,219 | 2,589,793 | 23,094,232 | 448,798 | 916,625 | 1,988,292 | 35,166,202 |
| 2007-08 | 993,506 | 686,829 | 2,487,696 | 1,393,860 | 2,449,335 | 21,234,923 | 452,820 | 608,193 | 619,217 | 30,926,379 |
| 2006-07 | 957,415 | 655,654 | 2,342,748 | 1,173,763 | 2,357,615 | 22,669,857 | 210,423 | 389,308 | 386,031 | 31,142,814 |
| 2005-06 | 901,030 | 658,821 | 2,359,812 | 1,150,125 | 2,383,671 | 18,925,440 | 184,361 | 395,563 | 235,275 | 27,194,098 |

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

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

Table 4

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

| Fiscal Year | General Property Taxes | Other Local Taxes | Permits, Privilege Fees, Regulatory Licenses | Fines and Forfeitures | Revenue from the Use of Money and Property | Charges for Services | Miscellaneous | Recovered Costs | Inter-governmental (2) | Total |
|-------------|------------------------|-------------------|--|-----------------------|--|----------------------|---------------|-----------------|------------------------|---------------|
| | | | | | | | | | | |
| 2014-15 | \$ 9,742,742 | \$ 1,216,759 | \$ 76,772 | \$ 20,858 | \$ 13,712 | \$ 1,855,831 | \$ 328,596 | \$ 1,078,855 | \$ 21,666,780 | \$ 36,000,905 |
| 2013-14 | 9,911,906 | 1,176,665 | 87,650 | 20,089 | 15,739 | 1,795,200 | 624,288 | 962,323 | 20,508,525 | 35,102,385 |
| 2012-13 | 9,677,846 | 1,168,873 | 84,070 | 27,735 | 54,947 | 1,972,939 | 814,140 | 309,270 | 21,335,715 | 35,445,535 |
| 2011-12 | 9,717,645 | 1,207,281 | 87,487 | 22,033 | 49,129 | 1,917,259 | 681,914 | 336,497 | 19,905,626 | 33,924,871 |
| 2010-11 | 9,648,978 | 1,187,265 | 94,520 | 45,467 | 44,236 | 1,845,497 | 623,520 | 308,528 | 21,810,779 | 35,608,790 |
| 2009-10 | 6,897,256 | 1,253,058 | 79,193 | 24,609 | 54,784 | 1,852,328 | 892,682 | 300,216 | 22,819,401 | 34,173,527 |
| 2008-09 | 6,284,555 | 1,666,459 | 97,988 | 14,873 | 236,907 | 725,331 | 564,441 | 260,966 | 22,783,741 | 32,635,261 |
| 2007-08 | 6,293,863 | 1,716,432 | 125,615 | 1,055 | 188,197 | 685,072 | 478,190 | 186,812 | 20,426,326 | 30,101,562 |
| 2006-07 | 6,085,153 | 1,668,962 | 102,810 | 1,921 | 297,296 | 761,065 | 676,792 | 224,859 | 20,969,382 | 30,788,240 |
| 2005-06 | 6,068,227 | 1,582,387 | 83,431 | 656 | 303,979 | 764,773 | 745,386 | 162,698 | 18,992,491 | 28,704,028 |

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

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

Table 5

County of Grayson, Virginia
Property Tax Levies and Collections
Last Ten Fiscal Years

| Fiscal Year | Total Tax Levy (1) | Current Tax Collections (1) | Percent of Levy Collected | Delinquent Tax Collections (1,2) | Total Tax Collections | Percent of Total Tax Collections to Tax Levy | Outstanding Delinquent Taxes (1) | Percent of Delinquent Taxes to Tax Levy |
|-------------|--------------------|-----------------------------|---------------------------|----------------------------------|-----------------------|--|----------------------------------|---|
| 2014-15 | \$ 9,748,700 | \$ 9,128,324 | 93.64% | \$ 477,081 | 9,605,405 | 98.53% | \$ 1,438,969 | 14.76% |
| 2013-14 | 9,758,039 | 9,058,301 | 92.83% | 507,328 | 9,565,629 | 98.03% | 1,318,247 | 13.51% |
| 2012-13 | 9,765,219 | 9,065,028 | 92.83% | 411,738 | 9,476,766 | 97.05% | 1,263,967 | 12.94% |
| 2011-12 | 9,627,917 | 9,064,047 | 94.14% | 446,328 | 9,510,375 | 98.78% | 1,024,867 | 10.64% |
| 2010-11 | 9,632,648 | 9,067,919 | 94.14% | 411,546 | 9,479,465 | 98.41% | 949,816 | 9.86% |
| 2009-10 | 7,483,293 | 7,105,026 | 94.95% | 125,347 | 7,230,373 | 96.62% | 864,277 | 11.55% |
| 2008-09 | 6,749,174 | 6,400,262 | 94.83% | 202,886 | 6,603,148 | 97.84% | 541,748 | 8.03% |
| 2007-08 | 6,527,134 | 6,351,609 | 97.31% | 264,911 | 6,616,520 | 101.37% | 509,974 | 7.81% |
| 2006-07 | 6,496,946 | 6,212,415 | 95.62% | 207,087 | 6,419,502 | 98.81% | 523,523 | 8.06% |
| 2005-06 | 6,507,897 | 6,200,206 | 95.27% | 198,406 | 6,398,612 | 98.32% | 532,713 | 8.19% |

(1) Exclusive of penalties and interest.

(2) Does not include land redemptions.

Table 6

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

| Fiscal Year | Real Estate | Personal Property and Mobile Homes | Merchant's Capital | Machinery and Tools | Public Utility (2) | | | Total |
|----------------|------------------|---|-----------------------|---------------------------|--------------------|----------------------|----------------------|------------------|
| | | | | | Real Estate | Personal Property | Personal Property | |
| 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 |
| 2009-10 | 1,621,461,200 | 99,919,088 | 524,132 | 9,131,754 | 31,935,368 | 56,855 | 56,855 | 1,763,028,397 |
| 2008-09 | 1,613,126,400 | 112,401,550 | 591,240 | 10,251,338 | 31,152,651 | 64,327 | 64,327 | 1,767,587,506 |
| 2007-08 | 1,599,974,100 | 107,167,114 | 771,863 | 8,562,723 | 34,490,621 | 17,455 | 17,455 | 1,750,983,876 |
| 2006-07 | 1,585,856,000 | 107,399,775 | 711,519 | 11,060,509 | 39,087,380 | 21,634 | 21,634 | 1,744,136,817 |
| 2005-06 | 820,748,700 | 110,421,430 | 654,137 | 13,402,691 | 26,246,852 | 16,301 | 16,301 | 971,490,111 |

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

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

Table 7

County of Grayson, Virginia
Property Tax Rates (1)
Last Ten Fiscal Years

| Fiscal Year | Real Estate | Personal Property | Machinery and Tools | Merchant's Capital |
|----------------|----------------|----------------------|---------------------------|-----------------------|
| 2014-15 | \$ 0.49 | \$ 1.75 | \$ 1.75 | \$ 6.70 |
| 2013-14 | 0.49 | 1.75 | 1.75 | 6.70 |
| 2012-13 | 0.49 | 1.75 | 1.75 | 6.70 |
| 2011-12 | 0.49 | 1.75 | 1.75 | 6.70 |
| 2010-11 | 0.49 | 1.75 | 1.75 | 6.70 |
| 2009-10 | 0.34 | 1.75 | 1.75 | 6.70 |
| 2008-09 | 0.30 | 1.50 | 1.50 | 6.70 |
| 2007-08 | 0.30 | 1.50 | 1.50 | 6.70 |
| 2006-07 | 0.29 | 1.50 | 1.50 | 6.70 |
| 2005-06 | 0.55 | 1.50 | 1.50 | 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 |
|-------------|----------------|-----------------------------------|-----------------------|-----------------|--|----------------------------|
| 2014-15 | 15,533 | \$ 1,830,660 | \$ 16,072,090 | \$ 16,072,090 | 0.88% | \$ 1,035 |
| 2013-14 | 15,533 | 1,815,995 | 16,894,524 | 16,894,524 | 0.93% | 1,088 |
| 2012-13 | 15,533 | 1,812,810 | 16,974,620 | 16,974,620 | 0.94% | 1,093 |
| 2011-12 | 15,533 | 1,802,125 | 19,033,426 | 19,033,426 | 1.06% | 1,225 |
| 2010-11 | 15,533 | 1,798,240 | 19,509,496 | 19,509,496 | 1.08% | 1,256 |
| 2009-10 | 17,917 | 1,763,028 | 19,585,001 | 19,585,001 | 1.11% | 1,093 |
| 2008-09 | 17,917 | 1,767,588 | 17,778,438 | 17,778,438 | 1.01% | 992 |
| 2007-08 | 17,917 | 1,750,984 | 18,056,971 | 18,056,971 | 1.03% | 1,008 |
| 2006-07 | 17,917 | 1,744,137 | 1,960,336 | 1,960,336 | 0.11% | 109 |
| 2005-06 | 17,917 | 971,490 | 2,161,935 | 2,161,935 | 0.22% | 121 |

(1) Bureau of the Census.

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

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

Table 9

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

| Fiscal Year | Principal | Interest | Total Debt Service | Total General Governmental Expenditures | Ratio of Debt Service to General Governmental Expenditures |
|-------------|------------|----------|--------------------|---|--|
| 2014-15 | 822,434 | 694,431 | 1,516,865 | 37,008,673 | 4.10% |
| 2013-14 | 112,865 | 513,000 | 625,865 | 33,796,664 | 1.85% |
| 2012-13 (3) | 18,009,866 | 763,379 | 18,773,245 | 51,324,329 | 36.58% |
| 2011-12 (2) | 18,434,255 | 642,784 | 19,077,039 | 50,041,213 | 38.12% |
| 2010-11 | 2,358,145 | 392,389 | 2,750,534 | 35,571,664 | 7.73% |
| 2009-10 | 2,607,164 | 689,486 | 3,296,650 | 34,854,389 | 9.46% |
| 2008-09 | 1,905,535 | 686,375 | 2,591,910 | 35,166,202 | 7.37% |
| 2007-08 | 271,638 | 347,579 | 619,217 | 30,926,379 | 2.00% |
| 2006-07 | 280,605 | 105,426 | 386,031 | 31,142,814 | 1.24% |
| 2005-06 | 216,685 | 18,590 | 235,275 | 27,194,098 | 0.87% |

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

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

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

COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Grayson, Virginia, as of and for the year ended June 30, 2015, 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 December 22, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County of Grayson, Virginia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County of Grayson, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Grayson, Virginia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings and questioned costs as item 2015-001.

County of Grayson, Virginia's Response to Findings

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

Purpose of this Report

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

Robinson, Turner, Co. Associates

Blacksburg, Virginia
December 22, 2015

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

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

Report on Compliance for Each Major Federal Program

We have audited the County of Grayson, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County of Grayson, Virginia's major federal programs for the year ended June 30, 2015. County of Grayson, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the 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, 2015.

Report on Internal Control over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Robinson, Turner, & Associates

Blacksburg, Virginia
December 22, 2015

County of Grayson, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

| Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title | Federal CFDA Number | Pass-through Entity Identifying Number | Federal Expenditures |
|--|---------------------------|--|-------------------------|
| Department Health and Human Services: | | | |
| Pass Through Payments: | | | |
| <i>Department of Social Services:</i> | | | |
| Promoting Safe and Stable Families | 93.556 | 0950114 | \$ 13,721 |
| Temporary Assistance for Needy Families | 93.558 | 0400114, 0400115 | 167,886 |
| Refugee and Entrant Assistance - State Administered Programs | 93.566 | 0500114, 0500115 | 253 |
| Low-Income Home Energy Assistance | 93.568 | 0600414, 0600415 | 19,651 |
| Child Care Mandatory and Matching Funds of the Child Care and Development Fund | 93.596 | 0760114, 0760115 | 29,080 |
| Stephanie Tubbs Jones Child Welfare Services Program | 93.645 | 0900114, 0900115 | 1,218 |
| Foster Care - Title IV-E | 93.658 | 1100114, 1100115 | 143,259 |
| Adoption Assistance | 93.659 | 1120114, 1120115 | 192,301 |
| Social Services Block Grant | 93.667 | 1000114, 1000115 | 124,556 |
| Chafee Foster Care Independence Program | 93.674 | 9150114, 9150115 | 962 |
| Medical Assistance Program | 93.778 | 1200114, 1200115 | 192,333 |
| Children's Health Insurance Program | 93.767 | 0540114, 0540115 | 5,347 |
| Total Department of Health and Human Services | | | <u>\$ 890,567</u> |
| Department of Agriculture: | | | |
| Pass Through Payments: | | | |
| <i>Child Nutrition Cluster:</i> | | | |
| <i>Department of Agriculture:</i> | | | |
| Summer Food Service Program for Children | 10.559 | Not available | \$ 39,666 |
| Food Distribution (Note 3) | 10.555 | Not available | \$ 63,036 |
| <i>Department of Education:</i> | | | |
| National School Lunch Program | 10.555 | 40623 | <u>501,884</u> |
| School Breakfast Program | 10.553 | 40591 | 183,063 |
| <i>Department of Education:</i> | | | |
| Schools and Roads - Grants to States | 10.665 | 43841 | 59,309 |
| <i>Department of Social Services:</i> | | | |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | 0010114, 0010115, 0040114, 0040115 | <u>172,988</u> |
| Total Department of Agriculture | | | <u>\$ 1,019,946</u> |
| Department of Justice: | | | |
| Pass Through Payments: | | | |
| <i>Compensation Board:</i> | | | |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | 14-A2882AD12, 14-P1144L013 | <u>\$ 22,792</u> |
| Department of Transportation: | | | |
| Pass Through Payments: | | | |
| <i>Department of Motor Vehicles:</i> | | | |
| Highway Planning and Construction | 20.205 | EN00-038-103 | \$ 31,197 |
| Alcohol Open Container Requirements | 20.607 | 154AL-2014-54094-5342 154AL-2015-55013-5752 | <u>8,294</u> |
| Total Department of Transportation | | | <u>\$ 39,491</u> |
| Department of Homeland Security: | | | |
| Pass Through Payments: | | | |
| <i>Department of Emergency Services:</i> | | | |
| Emergency Management Performance Grants | 97.042 | 62744 | <u>\$ 7,500</u> |
| Environmental Protection Agency: | | | |
| Pass Through Payments: | | | |
| <i>Virginia Department of Conservation and Recreation:</i> | | | |
| Chesapeake Bay Program | 66.466 | SWM2012P49 | <u>\$ 6,520</u> |
| Department of Education: | | | |
| Pass Through Payments: | | | |
| <i>Department of Education:</i> | | | |
| <i>Special Education Cluster:</i> | | | |
| Special Education - Preschool Grants | 84.173 | 62521 | \$ 26,928 |
| Special Education - Grants to States | 84.027 | 43071 | 484,767 |
| Title I: Grants to Local Educational Agencies | 84.010 | 42901 | 567,522 |
| Twenty-first Century Community Learning Centers | 84.287 | 60565 | 676,938 |
| Career and Technical Education: Basic Grants to States | 84.048 | 61095 | 40,689 |
| Rural Education | 84.358 | 43481 | 58,126 |
| Improving Teacher Quality State Grants | 84.367 | 61480 | <u>95,465</u> |
| Total Department of Education | | | <u>\$ 1,950,435</u> |

County of Grayson, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015 (Continued)

| Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title | Federal CFDA Number | Pass-through Entity Identifying Number | Federal Expenditures |
|---|---------------------------|--|-------------------------|
| Department of Housing and Urban Development: Pass Through Payments: <i>Department of Housing and Community Development:</i> Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii | 14.228 | 50790 | \$ 3,800 |
| Total Expenditures of Federal Awards | | | <u>\$ 3,941,051</u> |

Notes to Schedule of Expenditures of Federal Awards

Note 1 -- Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County of Grayson, Virginia under programs of the federal government for the year ended June 30, 2015. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the County of Grayson, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County of Grayson, Virginia.

Note 2 -- Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

Note 3 -- Food Donation

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

Note 4 -- Relationship to the Financial Statements:

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

Intergovernmental federal revenues per the basic financial statements:

| | |
|---|----------------------------|
| Primary government: | |
| General Fund | \$ 1,151,141 |
| Less: Payment in lieu of taxes | <u>(11,283)</u> |
| Total primary government | <u>\$ 1,139,858</u> |
| Enterprise Fund | <u>\$ 3,800</u> |
| Component Unit School Board: | |
| School Operating Fund | <u>\$ 2,797,393</u> |
| Total expenditures of federal awards per basic financial statements | <u><u>\$ 3,941,051</u></u> |

County of Grayson, Virginia

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

Section I - Summary of Auditors' Results

Financial Statements

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

Federal Awards

| | |
|--|---------------|
| Internal control over major programs: | |
| Material weakness(es) identified? | No |
| Significant deficiency(ies) identified? | None reported |
| Type of auditors' report issued on compliance for major programs: | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)? | No |

Identification of major programs:

| CFDA # | Name of Federal Program or Cluster |
|----------------------|--|
| 84.287 | Twenty-First Century Community Learning Centers |
| 84.027/84.173 | Special Education Cluster |
| 10.553/10.555/10.559 | Child Nutrition Cluster |
| 10.561 | State Administrative Matching Grants for the Supplemental Nutrition Assistance Program |

| | |
|--|-----------|
| Dollar threshold used to distinguish between Type A and Type B programs | \$300,000 |
|--|-----------|

| | |
|--|----|
| Auditee qualified as low-risk auditee? | No |
|--|----|

County of Grayson, Virginia

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

Section II - Financial Statement Findings

2015-001

| | |
|------------------------|---|
| Criteria: | The <u>Code of Virginia</u> does not allow School Boards to expend or contract to expend in any fiscal year funds in excess of the funds available for school purposes. |
| Condition: | The School Board did not have cash to pay the payroll due to the employees with 10 month contracts prior to year end. This required the School Board to adjust the fiscal year 2016 budget to include expenditures from fiscal year 2015. |
| Cause of Condition: | The School Board's fiscal year 2015 budget included inflated estimates of local and state revenues that were not received due to timing differences and decreased enrollment. |
| Effect of Condition: | The School Board contracted to expend funds in fiscal year 2015 in excess of funds available. |
| Recommendation: | The School Board should prepare a conservative budget and update the budget based on periodic enrollment estimates provided by the Virginia Department of Education. |
| Management's Response: | The fiscal year 2016 budget was reviewed and revised to include additional local funds and a catch up of the fiscal year 2015 payroll costs. |

Section III - Federal Award Findings and Questioned Costs

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

Section IV - Status of Prior Audit Findings

There were no prior audit findings related to federal awards.