

COUNTY OF GRAYSON, VIRGINIA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

COUNTY OF GRAYSON, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2016

TABLE OF CONTENTS

INTRODUCTORY SECTION

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

FINANCIAL SECTION

	<u>Page</u>
Independent Auditors' Report	2-4
Management's Discussion and Analysis	5-13
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	14
Statement of Activities	15
Fund Financial Statements:	
Balance Sheet - Governmental Funds	16
Reconciliation of the Balance Sheet - Governmental Funds to the Government-wide	
Statement of Net Position	17
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances -	
Governmental Funds to the Government-wide Statement of Activities	19
Statement of Net Position - Proprietary Funds	20
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	21
Statement of Cash Flows - Proprietary Funds	22
Statement of Fiduciary Net Position - Fiduciary Funds	23
Notes to Financial Statements	24-79
Required Supplementary Information:	
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual:	
General Fund	80
Special Revenue Fund - Economic Development	81
Schedule of OPEB Funding Progress	82
Schedule of the Employer's Proportionate Share of the Net Pension Liability	83
Schedule of Components of and Changes in Net Pension Liability and Related Ratios:	
Component Unit - School Board (nonprofessional)	84
Schedule of Employer Contributions	85
Notes to Required Supplementary Information	86
Other Supplementary Information:	
Combining Statement of Fiduciary Net Position - Fiduciary Funds	87
Combining Statement of Changes in Assets and Liabilities - Agency Funds	88
Discretely Presented Component Unit - School Board:	
Balance Sheet	89
Statement of Revenues, Expenditures, and Changes in Fund Balances	90
Schedule of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual	91
Supporting Schedules:	
Schedule of Revenues - Budget and Actual - Governmental Funds	92-96
Schedule of Expenditures - Budget and Actual - Governmental Funds	97-100

COUNTY OF GRAYSON, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2016

TABLE OF CONTENTS (continued)

FINANCIAL SECTION (continued)

	<u>Table</u>	<u>Page</u>
Other Statistical Information:		
Government-wide Information:		
Government-wide Expenses by Function	1	101
Government-wide Revenues	2	102
Fund Information:		
General Governmental Expenditures by Function	3	103
General Governmental Revenues by Source	4	104
Property Tax Levies and Collections	5	105
Assessed Value of Taxable Property	6	106
Property Tax Rates	7	107
Ratios of Net General Bonded Debt to Assessed Value and Net Bonded Debt per Capita	8	108
Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Governmental Expenditures	9	109

COMPLIANCE SECTION

Page

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>	110-111
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by Uniform Guidance	112-113
Schedule of Expenditures of Federal Awards	114-115
Schedule of Findings and Questioned Costs	116-119

INTRODUCTORY SECTION

COUNTY OF GRAYSON, VIRGINIA

BOARD OF SUPERVISORS

Kenneth R. Belton, Vice Chair	Brenda Sutherland, Chairman	John S. Fant
Michael S. Hash		Glen E. Rosenbaum

COUNTY SCHOOL BOARD

Fred Weatherman, Vice Chair	Diane Haynes, Chair	Shannon Holdaway
Randy Shinault		Tim Carico

SOCIAL SERVICES BOARD

Kate Irwin, Vice Chair	Brenda Sutherland, Chair	Mary D. Young
------------------------	--------------------------	---------------

OTHER OFFICIALS

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

FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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-School Board, each major fund, and the aggregate remaining fund information of County of Grayson, Virginia, as of and for the year ended June 30, 2016, 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.

Auditor's 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 auditor's 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-School Board, each major fund, and the aggregate remaining fund information of the County of Grayson, as of June 30, 2016, 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 2016, the County adopted new accounting guidance, GASB Statement Nos. 72 Fair Value Measurement and Application, 79 Certain External Investment Pools and Pool Participants, and 82 Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73. 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, 80-81, and 82-86 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 other statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

Other Information (Continued)

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2017, on our consideration of the County of Grayson, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Grayson, Virginia's internal control over financial reporting and compliance.

Robinson, Turner, Co. Associates

Blacksburg, Virginia
January 24, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

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, 2016. 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 \$11,368,385 (net position). Of this amount, \$5,240,068 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 \$2,525,315 (net position). Of this amount, \$153,381 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 \$(13,885,856) (net position). Of this amount \$(17,402,894) was considered unrestricted.
- As of the close of the current fiscal year, the County's funds reported combined ending fund balances of \$9,999,071. Of this amount, \$6,982,174 was considered unassigned, \$20,365 was considered nonspendable, \$1,747,670 was considered assigned, \$845,975 was considered committed, and \$402,887 was considered restricted.
- During the fiscal year, the County had a change in net position of \$629,551 for governmental activities, \$230,842 for business-type activities, and \$62,265 for the School Board component unit. For the governmental activities, the revenues and net transfers exceeded the expenses for the fiscal year. For the business-type activities component unit, the revenues and net transfers exceeded the expenses for the fiscal year. For the School Board component unit, the revenues exceeded the expenses for the fiscal year.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

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, 2016

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, 2016

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 \$11,368,385 at the close of the most recent fiscal year.

A significant portion of the County's net position, \$5,725,430 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 \$402,887, is subject to restrictions on how it may be used. The remaining balance of net position of \$5,240,068 may be used to meet the County's ongoing obligations.

The remainder of this page left blank intentionally.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**
Overview of the Financial Statements (Continued)

The following table summarizes the County's Statement of Net Position and Statement of Activities for 2016 and 2015:

Table 1

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2016	2015	2016	2015	2016
Current Assets	22,549,484	22,182,401	151,285	186,307	22,700,769	22,368,708
Capital Assets	23,260,134	23,855,964	2,213,043	2,407,529	25,473,177	26,263,493
Total Assets	45,809,618	46,038,365	2,364,328	2,593,836	48,173,946	48,632,201
Deferred Outflow of Resources	687,820	829,111	-	-	687,820	829,111
Current Liabilities	1,680,529	1,674,174	34,260	36,397	1,714,789	1,710,571
Long-Term Liabilities	22,484,800	22,836,253	35,595	32,124	22,520,395	22,868,377
Total Liabilities	24,165,329	24,510,427	69,855	68,521	24,235,184	24,578,948
Deferred Inflows of Resources	11,593,275	10,988,664	-	-	11,593,275	10,988,664
Net Position:						
Net Investment in						
Capital Assets	5,163,210	5,725,430	2,174,121	2,371,934	7,337,331	8,097,364
Restricted	321,758	402,887	-	-	321,758	402,887
Unrestricted	5,253,866	5,240,068	120,352	153,381	5,374,218	5,393,449
Total Net Position	10,738,834	11,368,385	2,294,473	2,525,315	13,033,307	13,893,700

The remainder of this page left blank intentionally.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**
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	
	2015	2016	2015	2016	2015	2016
Charges for Services	1,701,960	1,672,982	171,167	219,217	1,873,127	1,892,199
Operating Grants/Contributions	6,306,725	4,075,141	-	-	6,306,725	4,075,141
Capital Grants/Contributions	6,520	255,809	111,216	263,304	117,736	519,113
Program Revenues	8,015,205	6,003,932	282,383	482,521	8,297,588	6,486,453
Taxes	11,169,389	11,289,049	-	-	11,169,389	11,289,049
Interest Income	13,685	54,782	-	-	13,685	54,782
Miscellaneous	199,924	128,790	-	-	199,924	128,790
Grants not restricted to program	833,385	871,626	-	-	833,385	871,626
General Revenues	12,216,383	12,344,247	-	-	12,216,383	12,344,247
Total Revenues	20,231,588	18,348,179	282,383	482,521	20,513,971	18,830,700
General Government	1,427,523	1,221,223	-	-	1,427,523	1,221,223
Judicial Administration	834,684	738,367	-	-	834,684	738,367
Public Safety	3,434,969	3,756,030	-	-	3,434,969	3,756,030
Public Works	1,826,856	1,684,005	-	-	1,826,856	1,684,005
Health and Welfare	2,866,899	2,568,994	-	-	2,866,899	2,568,994
Education	6,361,306	5,768,172	-	-	6,361,306	5,768,172
Parks, Recreation, Cultural	446,006	655,508	-	-	446,006	655,508
Community Development	2,989,423	841,802	-	-	2,989,423	841,802
Interest on long-term debt	602,957	484,527	-	-	602,957	484,527
Water authority	-	-	242,411	251,679	242,411	251,679
Total Expenses	20,790,623	17,718,628	242,411	251,679	21,033,034	17,970,307
Transfers	(559,710)	-	559,710	-	-	-
Change in Net Position	(1,118,745)	629,551	599,682	230,842	(519,063)	860,393
Beginning Net Position as restated	11,857,579	10,738,834	1,694,791	2,294,473	13,552,370	13,033,307
Ending Net Position	10,738,834	11,368,385	2,294,473	2,525,315	13,033,307	13,893,700

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

Financial Analysis of the County's Funds

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

Governmental Funds - The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a County's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$9,999,071; \$402,887 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 \$845,975 has been committed by action of the Board of Supervisors and \$1,747,670 has been assigned by the Board of Supervisors. The remaining balance, \$6,982,174 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 \$9,294,063 of this amount \$6,982,174 was considered unassigned. The Economic Development Fund's entire fund balance of \$705,008 was committed.

Total governmental fund revenues decreased \$(1,845,979) and expenditures decreased \$(2,101,644) over prior fiscal year amounts. For fiscal year ended June 30, 2016, expenditures exceeded revenues and other financing sources by \$(154,427) as compared to the fiscal year ended June 30, 2015, when revenues and other financing sources decreased expenditures and other financing uses by \$(1,819,095).

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 \$18,805,421 for fiscal year 2016. The actual revenues were \$18,807,994 which is a favorable variance of \$2,573. The budgeted expenditures were \$19,544,271 for the County. The actual expenditures were \$19,555,116 which is an unfavorable variance of \$(10,845) which is attributed to spending more in various departments.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

Capital Assets and Debt Administration

Capital assets - The County's investment in capital assets for its governmental funds activities as of June 30, 2016 amounts to \$23,855,964 (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 purchase of the new sheriff building and related renovation. The County's investment in capital assets for its business-type activities as of June 30, 2016 amounts to \$2,407,529 (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, 2016 is as follows:

	Balance July 1, 2015	Issuances	Retirements	Balance June 30, 2016
General obligation bonds	\$ 16,072,090	\$ -	\$ (593,337)	\$ 15,478,753
Premium on bond	2,024,834	-	(188,349)	1,836,485
Note Payable	-	665,000	(2,523)	662,477
Capital lease	-	152,819	-	152,819
Net OPEB obligation	155,500	61,100	(18,500)	198,100
Compensated absences	383,982	264,419	(287,987)	360,414
Net pension liability	4,836,844	1,958,548	(1,538,238)	5,257,154
Total	<u>\$ 23,473,250</u>	<u>\$ 3,101,886</u>	<u>\$ (2,628,934)</u>	<u>\$ 23,946,202</u>

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

	Balance July 1, 2015	Issuances	Retirements	Balance June 30, 2016
Revenue bonds	<u>\$ 38,922</u>	<u>\$ -</u>	<u>\$ (3,327)</u>	<u>\$ 35,595</u>
Total	<u>\$ 38,922</u>	<u>\$ -</u>	<u>\$ (3,327)</u>	<u>\$ 35,595</u>

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

Economic Factors

The unemployment rate for the County of Grayson, Virginia was on average 4.9% for fiscal year 2016. This is slightly above the state's average unemployment rate of 4.0% and the same as national average rate of 4.9%.

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, 2016

	Primary Government			Component
	Governmental	Business-type	Total	Unit
	Activities	Activities		School Board
ASSETS				
Cash and cash equivalents	\$ 5,512,727	\$ 58,612	\$ 5,571,339	\$ 730,805
Restricted cash and cash equivalents - customers' deposits	-	18,098	18,098	-
Investments	2,687,067	17,633	2,704,700	-
Receivables (net of allowance for uncollectibles):				
Taxes receivable	11,771,758	-	11,771,758	-
Accounts receivable	742,148	46,867	789,015	42,624
Notes receivable	250,498	-	250,498	-
Interfund balances	500	(500)	-	-
Due from component unit	494,486	-	494,486	-
Due from other governmental units	702,852	45,597	748,449	677,827
Prepaid items	20,365	-	20,365	127,700
Capital assets (net of accumulated depreciation):				
Land	749,787	10,648	760,435	144,690
Buildings, improvements, and systems	21,852,560	-	21,852,560	2,335,991
Machinery and equipment	1,080,888	2,194	1,083,082	914,535
Infrastructure	-	2,394,687	2,394,687	-
Construction in progress	172,729	-	172,729	121,822
Total assets	\$ 46,038,365	\$ 2,593,836	\$ 48,632,201	\$ 5,095,994
DEFERRED OUTFLOWS OF RESOURCES				
Pension contributions subsequent to measurement date	\$ 712,656	\$ -	\$ 712,656	\$ 1,276,421
Items related to measurement of net pension liability	116,455	-	116,455	16,000
Total deferred outflows of resources	\$ 829,111	\$ -	\$ 829,111	\$ 1,292,421
LIABILITIES				
Accounts payable	\$ 258,316	\$ 14,723	\$ 273,039	\$ 406,801
Accrued salaries	-	-	-	728,162
Customers' deposits	-	18,098	18,098	-
Accrued interest payable	305,909	105	306,014	-
Due to primary government	-	-	-	494,486
Long-term liabilities:				
Due within one year	1,109,949	3,471	1,113,420	69,193
Due in more than one year	22,836,253	32,124	22,868,377	17,174,112
Total liabilities	\$ 24,510,427	\$ 68,521	\$ 24,578,948	\$ 18,872,754
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue - property taxes	\$ 10,581,587	\$ -	\$ 10,581,587	\$ -
Items related to measurement of net pension liability	407,077	-	407,077	1,401,517
Total deferred inflows of resources	\$ 10,988,664	\$ -	\$ 10,988,664	\$ 1,401,517
NET POSITION				
Net investment in capital assets	\$ 5,725,430	\$ 2,371,934	\$ 8,097,364	\$ 3,517,038
Restricted:				
TEA	239,034	-	239,034	-
DARE	8,105	-	8,105	-
Recreation	17,475	-	17,475	-
Special Law Enforcement	138,273	-	138,273	-
Unrestricted (deficit)	5,240,068	153,381	5,393,449	(17,402,894)
Total net position	\$ 11,368,385	\$ 2,525,315	\$ 13,893,700	\$ (13,885,856)

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, 2016

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating		Primary Government		Component Unit	
			Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	School Board
PRIMARY GOVERNMENT:								
Governmental activities:								
General government administration	\$ 1,221,223	\$ 9,855	\$ 216,352	\$ -	\$ (995,016)	\$ -	\$ (995,016)	\$ -
Judicial administration	738,367	33,603	594,512	-	(110,252)	-	(110,252)	-
Public safety	3,756,030	77,786	1,200,361	146,997	(2,330,886)	-	(2,330,886)	-
Public works	1,684,005	1,487,409	7,464	-	(189,132)	-	(189,132)	-
Health and welfare	2,568,994	-	2,043,702	-	(525,292)	-	(525,292)	-
Education	5,768,172	-	-	-	(5,768,172)	-	(5,768,172)	-
Parks, recreation, and cultural	655,508	64,329	-	108,812	(482,367)	-	(482,367)	-
Community development	841,802	-	12,750	-	(829,052)	-	(829,052)	-
Interest on long-term debt	484,527	-	-	-	(484,527)	-	(484,527)	-
Total governmental activities	\$ 17,718,628	\$ 1,672,982	\$ 4,075,141	\$ 255,809	\$ (11,714,696)	\$ -	\$ (11,714,696)	\$ -
Business-type activities:								
Public Service Authority	\$ 251,679	\$ 219,217	\$ -	\$ 263,304	\$ -	\$ 230,842	\$ 230,842	\$ -
Total primary government	\$ 17,970,307	\$ 1,892,199	\$ 4,075,141	\$ 519,113	\$ (11,714,696)	\$ 230,842	\$ (11,483,854)	\$ -
COMPONENT UNITS:								
School Board	\$ 18,949,603	\$ 239,657	\$ 12,920,750	\$ 5,227	\$ -	\$ -	\$ -	\$ (5,783,969)
Total component units	\$ 18,949,603	\$ 239,657	\$ 12,920,750	\$ 5,227	\$ -	\$ -	\$ -	\$ (5,783,969)
General revenues:								
General property taxes					\$ 10,051,393	\$ -	\$ 10,051,393	\$ -
Other local taxes:								
Local sales and use taxes					433,935	-	433,935	-
Consumers' utility taxes					340,486	-	340,486	-
Motor vehicle licenses					285,194	-	285,194	-
Other local taxes					178,041	-	178,041	-
Unrestricted revenues from use of money and property					54,782	-	54,782	481
Miscellaneous					128,790	-	128,790	97,796
Payment from Grayson County					-	-	-	5,747,957
Grants and contributions not restricted to specific programs					871,626	-	871,626	-
Total general revenues					\$ 12,344,247	\$ -	\$ 12,344,247	\$ 5,846,234
Change in net position					\$ 629,551	\$ 230,842	\$ 860,393	\$ 62,265
Net position - beginning, as restated					10,738,834	2,294,473	13,033,307	(13,948,121)
Net position - ending					\$ 11,368,385	\$ 2,525,315	\$ 13,893,700	\$ (13,885,856)

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

County of Grayson, Virginia
Balance Sheet
Governmental Funds
June 30, 2016

	<u>General</u>	<u>Economic Development</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 5,370,748	\$ 24,972	\$ 5,395,720
Investments	2,186,726	429,538	2,616,264
Receivables (net of allowance for uncollectibles):			
Taxes receivable	11,771,758	-	11,771,758
Accounts receivable	742,148	-	742,148
Notes receivable	-	250,498	250,498
Due from other funds	500	-	500
Due from component unit	494,486	-	494,486
Due from other governmental units	702,852	-	702,852
Prepaid items	20,365	-	20,365
Total assets	<u>\$ 21,289,583</u>	<u>\$ 705,008</u>	<u>\$ 21,994,591</u>
LIABILITIES			
Accounts payable	\$ 258,316	\$ -	\$ 258,316
Total liabilities	<u>\$ 258,316</u>	<u>\$ -</u>	<u>\$ 258,316</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - prepaid taxes	\$ 70,800	\$ -	\$ 70,800
Unavailable revenue - property taxes	11,666,404	-	11,666,404
Total deferred inflows of resources	<u>\$ 11,737,204</u>	<u>\$ -</u>	<u>\$ 11,737,204</u>
FUND BALANCES			
Nonspendable:			
Prepaid items	\$ 20,365	\$ -	\$ 20,365
Restricted:			
TEA	239,034	-	239,034
DARE	8,105	-	8,105
Recreation	17,475	-	17,475
Special Law Enforcement	138,273	-	138,273
Committed:			
Law Library	2,735	-	2,735
Courthouse Security	42,875	-	42,875
Courthouse Maintenance	13,702	-	13,702
School Bus Replacement	81,655	-	81,655
Economic Development	-	705,008	705,008
Assigned:			
Reassessment	206,000	-	206,000
Contingency	886,225	-	886,225
Capital Improvement	608,985	-	608,985
Sheriff	23,230	-	23,230
Treasurer	23,230	-	23,230
Unassigned	6,982,174	-	6,982,174
Total fund balances	<u>\$ 9,294,063</u>	<u>\$ 705,008</u>	<u>\$ 9,999,071</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 21,289,583</u>	<u>\$ 705,008</u>	<u>\$ 21,994,591</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, 2016

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	9,999,071
--	----	-----------

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

Land	\$	749,787	
Buildings and system		21,852,560	
Machinery and equipment		1,080,888	
Construction in progress		172,729	23,855,964

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

Unavailable revenue - property taxes		1,155,617
--------------------------------------	--	-----------

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.

187,810

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.

712,656

Items related to measurement of the net pension liability are considered to be deferred and and will be amortized and recognized in pension expense over future years.

Deferred outflows of resources	\$	116,455	
Deferred inflows of resources		(407,077)	(290,622)

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	\$	(15,478,753)	
Premium on bond issuance		(1,836,485)	
Note payable		(662,477)	
Capital lease		(152,819)	
Accrued interest payable		(305,909)	
Net OPEB obligation		(198,100)	
Compensated absences		(360,414)	
Net pension liability		(5,257,154)	(24,252,111)

Net position of governmental activities

\$ 11,368,385

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, 2016

	<u>General</u>	<u>Economic Development</u>	<u>Total</u>
REVENUES			
General property taxes	\$ 10,066,617	\$ -	\$ 10,066,617
Other local taxes	1,237,656	-	1,237,656
Permits, privilege fees, and regulatory licenses	73,401	-	73,401
Fines and forfeitures	13,803	-	13,803
Revenue from the use of money and property	52,390	2,392	54,782
Charges for services	1,585,778	-	1,585,778
Miscellaneous	128,790	-	128,790
Recovered costs	446,983	-	446,983
Intergovernmental:			
Commonwealth	3,822,099	-	3,822,099
Federal	1,380,477	-	1,380,477
Total revenues	<u>\$ 18,807,994</u>	<u>\$ 2,392</u>	<u>\$ 18,810,386</u>
EXPENDITURES			
Current:			
General government administration	\$ 1,570,382	\$ -	\$ 1,570,382
Judicial administration	863,080	-	863,080
Public safety	4,008,618	-	4,008,618
Public works	1,669,383	-	1,669,383
Health and welfare	2,671,830	-	2,671,830
Education	5,274,396	-	5,274,396
Parks, recreation, and cultural	437,924	-	437,924
Community development	544,708	227,516	772,224
Capital projects	1,235,280	-	1,235,280
Debt service:			
Principal retirement	595,860	-	595,860
Interest and other fiscal charges	683,655	-	683,655
Total expenditures	<u>\$ 19,555,116</u>	<u>\$ 227,516</u>	<u>\$ 19,782,632</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (747,122)</u>	<u>\$ (225,124)</u>	<u>\$ (972,246)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ -	\$ 50,000	\$ 50,000
Transfers out	(50,000)	-	(50,000)
Issuance of note payable	665,000	-	665,000
Issuance of capital lease	152,819	-	152,819
Total other financing sources (uses)	<u>\$ 767,819</u>	<u>\$ 50,000</u>	<u>\$ 817,819</u>
Net change in fund balances	\$ 20,697	\$ (175,124)	\$ (154,427)
Fund balances - beginning, as restated	9,273,366	880,132	10,153,498
Fund balances - ending	<u>\$ 9,294,063</u>	<u>\$ 705,008</u>	<u>\$ 9,999,071</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, 2016

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

Net change in fund balances - total governmental funds \$ (154,427)

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 capital outlays exceeded depreciation expense in the current period.

Capital outlay	\$ 1,539,194	
Depreciation expense	(943,364)	595,830

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	\$ (15,224)	
Change in deferred inflows related to the measurement of the net pension liability	522,727	507,503

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

Debt issued or incurred:		
Issuance of note payable	\$ (665,000)	
Issuance of capital lease	(152,819)	
Principal repayments:		
General obligation bonds	593,337	
Note payable	2,523	(221,959)

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	\$ 23,568	
Change in net OPEB obligation	(42,600)	
Change in accrued interest payable	10,779	
Amortization of bond premium	188,349	
Change in net pension liability	(420,310)	
Change in deferred outflows of resources related to pension	141,291	(98,923)

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.

1,527

Change in net position of governmental activities	\$ 629,551
---	------------

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, 2016

	Enterprise Fund Public Service <u>Authority</u>	Internal Service <u>Fund</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 58,612	\$ 117,007
Restricted cash and cash equivalents - customers' deposits	18,098	-
Investments	17,633	70,803
Accounts receivables, net of allowance for uncollectibles	46,867	-
Due from other governmental units	45,597	-
Total current assets	<u>\$ 186,807</u>	<u>\$ 187,810</u>
Capital assets:		
Land	\$ 10,648	\$ -
Machinery and equipment	32,310	-
Infrastructure	3,619,708	-
Accumulated depreciation	(1,255,137)	-
Total capital assets	<u>\$ 2,407,529</u>	<u>\$ -</u>
Total assets	<u>\$ 2,594,336</u>	<u>\$ 187,810</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 14,723	\$ -
Customers' deposits	18,098	-
Accrued interest payable	105	-
Due to other funds	500	-
Bonds payable - current portion	3,471	-
Total current liabilities	<u>\$ 36,897</u>	<u>\$ -</u>
Noncurrent liabilities:		
Bonds payable - net of current portion	\$ 32,124	\$ -
Total noncurrent liabilities	<u>\$ 32,124</u>	<u>\$ -</u>
Total liabilities	<u>\$ 69,021</u>	<u>\$ -</u>
NET POSITION		
Net investment in capital assets	\$ 2,371,934	\$ -
Unrestricted	153,381	187,810
Total net position	<u>\$ 2,525,315</u>	<u>\$ 187,810</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, 2016

	Enterprise Fund Public Service <u>Authority</u>	Internal Service <u>Fund</u>
OPERATING REVENUES		
Charges for services:		
Water revenues	\$ 219,217	\$ -
Insurance premiums	-	93,949
Total operating revenues	<u>\$ 219,217</u>	<u>\$ 93,949</u>
OPERATING EXPENSES		
Salaries and wages	\$ 45,213	\$ -
Employee benefits	5,270	-
Utilities	5,359	-
Professional services	12,749	-
Purchase of water	67,903	-
Materials and supplies	12,219	-
Travel	2,415	-
Maintenance services	9,283	-
Insurance claims and expenses	-	92,422
Miscellaneous	1,259	-
Depreciation	88,408	-
Total operating expenses	<u>\$ 250,078</u>	<u>\$ 92,422</u>
Operating income (loss)	<u>\$ (30,861)</u>	<u>\$ 1,527</u>
NONOPERATING REVENUES (EXPENSES)		
Interest expense	<u>\$ (1,601)</u>	<u>\$ -</u>
Income before transfers and capital contributions	<u>\$ (32,462)</u>	<u>\$ 1,527</u>
Capital contributions and construction grants	<u>\$ 263,304</u>	<u>\$ -</u>
Change in net position	\$ 230,842	\$ 1,527
Total net position - beginning	2,294,473	186,283
Total net position - ending	<u>\$ 2,525,315</u>	<u>\$ 187,810</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, 2016

	Enterprise Fund Public Service <u>Authority</u>	Internal Service Fund
CASH FLOWS FROM BY OPERATING ACTIVITIES		
Receipts from customers and users	\$ 177,090	\$ -
Receipts for insurance premiums	-	93,949
Payments to suppliers	(112,385)	-
Payments to and for employees	(50,483)	-
Payments for insurance premiums	-	(96,761)
Net cash provided by (used for) operating activities	<u>\$ 14,222</u>	<u>\$ (2,812)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers from other funds	\$ 500	\$ -
Net cash provided by (used for) noncapital financing activities	<u>\$ 500</u>	<u>\$ -</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	\$ (282,894)	\$ -
Principal payments on bonds	(3,327)	-
Contributions in aid of construction	263,304	-
Interest payments	(1,611)	-
Net cash provided by (used for) capital and related financing activities	<u>\$ (24,528)</u>	<u>\$ -</u>
Net increase (decrease) in cash and cash equivalents	\$ (9,806)	\$ (2,812)
Cash and cash equivalents - beginning (includes investments of \$111,356 and restricted cash and cash equivalents of \$14,897)	104,149	190,622
Cash and cash equivalents - ending (includes investments of \$106,069 and restricted cash and cash equivalents of \$18,098)	<u>\$ 94,343</u>	<u>\$ 187,810</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ (30,861)	\$ 1,527
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:		
Depreciation	\$ 88,408	\$ -
(Increase) decrease in accounts receivable	(28,531)	-
(Increase) decrease in due from other funds	(16,797)	-
Increase (decrease) in accounts payable	(1,198)	(4,339)
Increase (decrease) in customer deposits	3,201	-
Total adjustments	<u>\$ 45,083</u>	<u>\$ (4,339)</u>
Net cash provided by (used for) operating activities	<u>\$ 14,222</u>	<u>\$ (2,812)</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, 2016

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 275,738
Investments	172,828
Total assets	<u>\$ 448,566</u>
LIABILITIES	
Amounts held for social services clients	\$ 7,034
Amounts held for subsequent remittance to State for surcharge	820
Amounts held for Mt. Rogers Alcohol Safety Action Program	304,450
Amounts held for Grayson Regional Library	136,262
Total liabilities	<u>\$ 448,566</u>

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

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016, 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, 2016, the County contributed \$247,500.
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, 2016.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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, 2016, the County contributed \$39,760.
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, 2016, the County contributed \$187,120.
6. The County, along with the County of Carroll and the City of Galax, participates in The Twin County Airport Commission. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. The Commission is charged with operating the Twin County Regional Airport. For the fiscal year ended June 30, 2016, the County contributed \$51,960.
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 \$161,147. 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, 2016

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

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

Additionally, the County reports the following fund types:

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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 and Investments

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.

Money market investments, participating interest-earning investment contracts (repurchase agreements) that have a remaining maturity at time of purchase of one year or less, nonparticipating interest-earning investment contracts (nonnegotiable certificates of deposit (CDs)) and external investment pools are measured at amortized cost. All other investments are reported at fair value.

2. Receivables and payables

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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 \$83,607 at June 30, 2016 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 acquisition value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. 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, 2016.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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 differences between expected and actual experience, change in assumptions, the net difference between projected and actual earnings on pension plan investments and 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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.

The remainder of this page left blank intentionally.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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, 2016 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, 2016

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, 2016

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.
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, 2016, there were no departments that had expenditures in excess of appropriations.

C. Deficit fund equity

At June 30, 2016, 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.

The remainder of this page left blank intentionally.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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, 2016 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
Local Government Investment Pool (LGIP)	\$ 2,877,528

Concentration of Credit Risk:

At June 30, 2016, 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:

Investment type	Fair Value	Less than 1yr
Local Government Investment Pool (LGIP)	\$ 2,877,528	\$ 2,877,528

External Investment Pools:

The fair value of the positions in the external investment pool (Local Government Investment Pool (LGIP)) is the same as the value of the pool shares. As this pool is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP is an amortized cost basis portfolio under the provisions of GASB Statement No. 79. There are no withdrawal limitations or restrictions imposed on participants.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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>Commonwealth of Virginia:</u>			
Local sales tax	78,068	-	-
Communications tax	60,163	-	-
State sales tax	-	-	285,507
Categorical aid	160,003	-	-
Noncategorical aid	5,799	-	-
Virginia public assistance funds	54,624	-	-
Children's services act	52,420	-	-
<u>Federal Government:</u>			
Virginia public assistance funds	78,403	-	-
Categorical aid	213,372	45,597	392,320
Totals	<u>\$ 702,852</u>	<u>\$ 45,597</u>	<u>\$ 677,827</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
Primary Government:			
General Fund	\$ 500	\$ -	\$ 494,486
Water Fund	(500)	-	-
Total Primary Government	<u>-</u>	<u>-</u>	<u>494,486</u>
Component Unit - School Board:			
School Operating Fund		<u>\$ 494,486</u>	<u>\$ -</u>

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 6-Interfund Transfers:

Interfund transfers for the fiscal year ended June 30, 2016 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ -	\$ 50,000
Economic Development Fund	50,000	-
Total	<u>\$ 50,000</u>	<u>\$ 50,000</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, 2016:

	<u>Balance July 1, 2015</u>	<u>Increases/ Issuances</u>	<u>Decreases/ Retirements</u>	<u>Balance June 30, 2016</u>
General obligation bonds	\$ 16,072,090	\$ -	\$ (593,337)	\$ 15,478,753
Premium on bond	2,024,834	-	(188,349)	1,836,485
Note payable	-	665,000	(2,523)	662,477
Capital lease	-	152,819	-	152,819
Net OPEB obligation	155,500	61,100	(18,500)	198,100
Compensated absences	383,982	264,419	(287,987)	360,414
Net pension liability	4,836,844	1,958,548	(1,538,238)	5,257,154
Total	<u>\$ 23,473,250</u>	<u>\$ 3,101,886</u>	<u>\$ (2,628,934)</u>	<u>\$ 23,946,202</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 a 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, 2016

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		Note Payable	
	Principal	Interest	Principal	Interest
2017	\$ 614,050	\$ 657,714	\$ 8,615	\$ 20,593
2018	634,801	631,590	8,888	20,320
2019	660,591	604,517	9,170	20,038
2020	691,422	573,238	9,461	19,747
2021	722,297	537,500	9,761	19,447
2022-2026	4,140,592	2,093,436	53,646	92,394
2027-2031	4,730,000	1,038,143	62,706	83,334
2032-2036	3,285,000	177,766	73,296	72,744
2037-2041	-	-	85,674	60,366
2042-2046	-	-	100,143	45,897
2047-2051	-	-	117,055	28,985
2052-2056	-	-	124,062	9,274
Totals	<u>\$ 15,478,753</u>	<u>\$ 6,313,904</u>	<u>\$ 662,477</u>	<u>\$ 493,139</u>

The remainder of this page left blank intentionally.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 7-Long-Term Obligations: (Continued)

Primary Government - Governmental Activities Obligations: (Continued)

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	\$ 328,753	\$ 29,050
General Obligation Bond	5.10%	11/10/05	2025	995,000	495,000	50,000
General Obligation Bond	3.05%-5.05%	05/09/13	2034	15,670,000	14,655,000	535,000
Subtotal					<u>\$ 15,478,753</u>	<u>\$ 614,050</u>
Premium on Bond				87,862	43,932	4,393
Premium on Bond				2,157,388	1,792,553	184,378
Total General Obligation Bonds					<u>\$ 17,315,238</u>	<u>\$ 802,821</u>
Note Payable	3.125%	03/23/16	2056	\$ 665,000	\$ 662,477	\$ 8,615
<u>Other Obligations:</u>						
Capital lease					\$ 152,819	\$ 28,202
Net OPEB Obligation					198,100	-
Compensated Absences					360,414	270,311
Net Pension Liability					5,257,154	-
Total Other Obligations					<u>\$ 5,968,487</u>	<u>\$ 298,513</u>
Total Long-term Obligations					<u>\$ 23,946,202</u>	<u>\$ 1,109,949</u>

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, 2016:

	Balance July 1, 2015	Issuances	Retirements	Balance June 30, 2016
Revenue Bonds	<u>\$ 38,922</u>	<u>\$ -</u>	<u>\$ (3,327)</u>	<u>\$ 35,595</u>
Total	<u>\$ 38,922</u>	<u>\$ -</u>	<u>\$ (3,327)</u>	<u>\$ 35,595</u>

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 7-Long-Term Obligations: (Continued)

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

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

Year Ending June 30,	Revenue Bonds	
	Principal	Interest
2017	\$ 3,471	\$ 1,446
2018	3,622	1,295
2019	3,779	1,138
2020	3,942	975
2021	4,113	804
2022-2025	16,668	1,361
Totals	<u>\$ 35,595</u>	<u>\$ 7,019</u>

Details of long-term indebtedness:

	Interest <u>Rates</u>	Date <u>Issued</u>	Final Maturity <u>Date</u>	Amount of Original <u>Issue</u>	Balance Business-Type <u>Activities</u>	Amount Due Within <u>One Year</u>
<u>Revenue Bonds:</u>						
Water Revenue Bonds	4.25%	02/05/15	2025	\$ 40,000	<u>\$ 35,595</u>	<u>\$ 3,471</u>
Total Long-term Obligations					<u><u>\$ 35,595</u></u>	<u><u>\$ 3,471</u></u>

The remainder of this page left blank intentionally.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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, 2016:

	Balance July 1, 2015	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2016
Net OPEB obligation	\$ 483,100	\$ 167,100	\$ (146,100)	\$ 504,100
Early retirement incentive plan	244,047	-	(41,288)	202,759
Compensated absences	184,839	46,047	(138,629)	92,257
Net pension liability	15,926,243	4,010,749	(3,492,803)	16,444,189
Total	<u>\$ 16,838,229</u>	<u>\$ 4,223,896</u>	<u>\$ (3,818,820)</u>	<u>\$ 17,243,305</u>

Details of long-term obligations:

	Total Amount	Amount Due Within One Year
<u>Other Obligations:</u>		
Net OPEB obligation	\$ 504,100	\$ -
Early retirement incentive plan	202,759	-
Compensated absences	92,257	69,193
Net pension liability	16,444,189	-
Total Long-term Obligations	<u>\$ 17,243,305</u>	<u>\$ 69,193</u>

The remainder of this page left blank intentionally.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 9-Pension Plan:

Plan Description

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

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 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, 2016

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, 2016Note 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, 2016

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, 2016

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, 2016

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, 2016

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, 2016

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, 2016

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 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 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 <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, 2016

Note 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, 2016Note 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 greater 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, 2016

Note 9-Pension Plan: (Continued)

Plan Description (Continued)

The System issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information by VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2015-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, 2016 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 \$712,656 and \$684,883 for the years ended June 30, 2016 and June 30, 2015, respectively.

Net Pension Liability

At June 30, 2016, the County reported a liability of \$5,257,154 for its proportionate share of the net pension liability. The County's net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015. 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. Employer contributions to VRS 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, 2015 and 2014, the County's proportion was 94.61%.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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, 2014, 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, 2015.

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, 2016

Note 9-Pension Plan: (Continued)

Actuarial Assumptions - General Employees (Continued)

The actuarial assumptions used in the June 30, 2014 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, 2014, 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, 2015.

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, 2016

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, 2014 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, 2016Note 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, 2016Note 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)	\$ 7,706,841	\$ 5,257,154	\$ 3,205,848

The remainder of this page left blank intentionally.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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, 2016, the County recognized pension expense of \$468,948. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from difference between employer contributions and the proportionate share of employer contributions.

At June 30, 2016, 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	\$ 116,455	\$ -
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	407,077
Employer contributions subsequent to the measurement date	712,656	-
Total	<u>\$ 829,111</u>	<u>\$ 407,077</u>

\$712,656 reported as deferred outflows of resources related to pensions resulting from the County's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	<u>Primary Government</u>
2017	\$ (114,569)
2018	(114,569)
2019	(134,052)
2020	72,568
Thereafter	-

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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, 2014 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	41
Inactive members:	
Vested inactive members	11
Non-vested inactive members	5
Inactive members active elsewhere in VRS	12
Total inactive members	28
Active members	79
Total covered employees	148

Contributions

The Component Unit School Board's contractually required contribution rate for nonprofessional employees for the year ended June 30, 2016 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, 2016

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 \$105,194 and \$292,271 for the years ended June 30, 2016 and June 30, 2015, respectively.

Net Pension Liability

The Component Unit School Board's (nonprofessional) net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

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, 2014	\$ 5,234,541	\$ 4,746,298	\$ 488,243
Changes for the year:			
Service cost	\$ 137,242	\$ -	\$ 137,242
Interest	358,587	-	358,587
Differences between expected and actual experience	(63,481)	-	(63,481)
Contributions - employer	-	292,271	(292,271)
Contributions - employee	-	61,197	(61,197)
Net investment income	-	222,854	(222,854)
Benefit payments, including refunds of employee contributions	(223,735)	(223,735)	-
Administrative expenses	-	(2,874)	2,874
Other changes	-	(46)	46
Net changes	\$ 208,613	\$ 349,667	\$ (141,054)
Balances at June 30, 2015	\$ 5,443,154	\$ 5,095,965	\$ 347,189

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016Note 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)	\$ 1,003,976	\$ 347,189	\$ (207,564)

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

For the year ended June 30, 2016, the Component Unit School Board (nonprofessional) recognized pension expense of \$33,406. At June 30, 2016, 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	\$ -	\$ 45,081
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	124,436
Employer contributions subsequent to the measurement date	105,194	-
Total	\$ 105,194	\$ 169,517

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016Note 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)*

\$105,194 reported as deferred outflows of resources related to pensions resulting from the Component Unit School Board's (nonprofessional) contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	<u>Component Unit School Board (nonprofessional)</u>
2017	\$ (67,467)
2018	(67,467)
2019	(57,348)
2020	22,765
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, 2016 was 14.06% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013 adjusted for the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarial rate for the Teacher Retirement Plan was 18.20%, however, it was reduced to 17.64% as a result of the transfer. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. 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, 2016. Contributions to the pension plan from the School Board were \$1,171,227 and \$1,368,732 for the years ended June 30, 2016 and June 30, 2015, respectively.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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, 2016, the school division reported a liability of \$16,097,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2015 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, 2015 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2015, the school division's proportion was 0.12789% as compared to 0.12775% at June 30, 2014.

For the year ended June 30, 2016, the school division recognized pension expense of \$1,173,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2016, 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	\$ -	\$ 222,000
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	985,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	16,000	25,000
Employer contributions subsequent to the measurement date	1,171,227	-
Total	\$ 1,187,227	\$ 1,232,000

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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)

\$1,171,227 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 fiscal year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	
2017	\$ (442,000)
2018	(442,000)
2019	(442,000)
2020	134,000
Thereafter	(24,000)

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2014, 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, 2015.

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, 2016

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, 2014 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)	\$ 23,556,000	\$ 16,097,000	\$ 9,956,000

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 2015 Comprehensive Annual Financial Report (CAFR). A copy of the 2015 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2015-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, 2016Note 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	\$ 66,600	\$ 184,100	\$ 250,700
Interest on net OPEB obligation	6,200	19,300	25,500
Adjustment to annual required contribution	(11,700)	(36,300)	(48,000)
Annual OPEB cost (expense)	\$ 61,100	\$ 167,100	\$ 228,200
Contributions made	(18,500)	(146,100)	(164,600)
Increase in net OPEB obligation	\$ 42,600	\$ 21,000	\$ 63,600
Net OPEB obligation - beginning of year	155,500	483,100	638,600
Net OPEB obligation - end of year	\$ 198,100	\$ 504,100	\$ 702,200

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016Note 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 2016 and the two preceding years were as follows:

County:		Percentage of	
Fiscal	Annual	Annual OPEB Cost	Net OPEB
Year Ended	OPEB Cost	Contributed	Obligation
6/30/2016	\$ 61,100	30%	\$ 198,100
6/30/2015	59,300	23%	155,500
6/30/2014	40,200	52%	110,000

School Board:		Percentage of	
Fiscal	Annual	Annual OPEB Cost	Net OPEB
Year Ended	OPEB Cost	Contributed	Obligation
6/30/2016	\$ 167,100	87%	\$ 504,100
6/30/2015	167,600	81%	483,100
6/30/2014	206,500	81%	452,000

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 \$470,900, 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 \$1,624,900, 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, 2016

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, 2016Note 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%, 1.06%, and 1.11%, of annual covered payroll for the years ending June 30, 2016, 2015, and 2014, respectively. The School Board's contributions to VRS for the years ending June 30, 2016, 2015, and 2014 were \$88,838, \$100,544, and \$103,721, respectively and equaled the required contributions for each year.

Note 12-Capital Assets:

Capital asset activity for the year ended June 30, 2016 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	164,668	1,006,428	(998,367)	172,729
Total capital assets not being depreciated	<u>\$ 914,455</u>	<u>\$ 1,006,428</u>	<u>\$ (998,367)</u>	<u>\$ 922,516</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 26,332,903	\$ 993,265	\$ -	\$ 27,326,168
Machinery and equipment	2,482,388	537,868	(24,034)	2,996,222
Total capital assets being depreciated	<u>\$ 28,815,291</u>	<u>\$ 1,531,133</u>	<u>\$ (24,034)</u>	<u>\$ 30,322,390</u>
Accumulated depreciation:				
Buildings and improvements	\$ (4,805,050)	\$ (668,558)	\$ -	\$ (5,473,608)
Machinery and equipment	(1,664,562)	(274,806)	24,034	(1,915,334)
Total accumulated depreciation	<u>\$ (6,469,612)</u>	<u>\$ (943,364)</u>	<u>\$ 24,034</u>	<u>\$ (7,388,942)</u>
Total capital assets being depreciated, net	<u>\$ 22,345,679</u>	<u>\$ 587,769</u>	<u>\$ -</u>	<u>\$ 22,933,448</u>
Governmental activities capital assets, net	<u>\$ 23,260,134</u>	<u>\$ 1,594,197</u>	<u>\$ (998,367)</u>	<u>\$ 23,855,964</u>

The remainder of this page left blank intentionally.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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	43,347	282,894	(326,241)	-
Total capital assets not being depreciated	<u>\$ 53,995</u>	<u>\$ 282,894</u>	<u>\$ (326,241)</u>	<u>\$ 10,648</u>
Capital assets, being depreciated:				
Infrastructure	\$ 3,293,467	\$ 326,241	\$ -	\$ 3,619,708
Machinery and equipment	32,310	-	-	32,310
Total capital assets being depreciated	<u>\$ 3,325,777</u>	<u>\$ 326,241</u>	<u>\$ -</u>	<u>\$ 3,652,018</u>
Accumulated depreciation:				
Infrastructure	\$ (1,141,036)	\$ (83,985)	\$ -	\$ (1,225,021)
Machinery and equipment	(25,693)	(4,423)	-	(30,116)
Total accumulated depreciation	<u>\$ (1,166,729)</u>	<u>\$ (88,408)</u>	<u>\$ -</u>	<u>\$ (1,255,137)</u>
Total capital assets being depreciated, net	<u>\$ 2,159,048</u>	<u>\$ 237,833</u>	<u>\$ -</u>	<u>\$ 2,396,881</u>
Business-type activities capital assets, net	<u>\$ 2,213,043</u>	<u>\$ 520,727</u>	<u>\$ (326,241)</u>	<u>\$ 2,407,529</u>

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

Governmental activities:	
General government administration	\$ 130,495
Judicial administration	1,796
Public safety	119,324
Public works	102,359
Health and welfare	10,602
Education	493,776
Parks, recreation, and culture	7,926
Community development	77,086
Total depreciation expense-governmental activities	<u>\$ 943,364</u>
Business-type activities:	
Water	\$ 88,408
Total depreciation expense-business type activities	<u>\$ 88,408</u>

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 12-Capital Assets: (Continued)

Capital asset activity for the School Board for the year ended June 30, 2016 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
Construction in progress	-	121,822	-	121,822
Total capital assets not being depreciated	<u>\$ 144,690</u>	<u>\$ 121,822</u>	<u>\$ -</u>	<u>\$ 266,512</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 13,320,708	\$ -	\$ -	\$ 13,320,708
Machinery and equipment	4,246,851	111,551	(108,572)	4,249,830
Total capital assets being depreciated	<u>\$ 17,567,559</u>	<u>\$ 111,551</u>	<u>\$ (108,572)</u>	<u>\$ 17,570,538</u>
Accumulated depreciation:				
Buildings and improvements	\$ (10,653,399)	\$ (331,318)	\$ -	\$ (10,984,717)
Machinery and equipment	(3,222,717)	(221,150)	108,572	(3,335,295)
Total accumulated depreciation	<u>\$ (13,876,116)</u>	<u>\$ (552,468)</u>	<u>\$ 108,572</u>	<u>\$ (14,320,012)</u>
Total capital assets being depreciated, net	<u>\$ 3,691,443</u>	<u>\$ (440,917)</u>	<u>\$ -</u>	<u>\$ 3,250,526</u>
Governmental activities capital assets, net	<u>\$ 3,836,133</u>	<u>\$ (319,095)</u>	<u>\$ -</u>	<u>\$ 3,517,038</u>

Note 13-Risk Management:

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

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 14-Commitments and Contingencies:

Commitments:

The County entered into a construction contract related to the pedestrian trail in the amount of \$531,324 on June 1, 2016. As of June 30, 2016, the entire contract was still outstanding. In addition, the School Board was obligated to a construction contract on high school bleachers in the amount of \$291,000. As of June 30, 2016, \$195,250 was still outstanding.

Contingencies:

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

Note 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 Millworks 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, 2016 was \$99,367. The note is delinquent as of June 30, 2016, but the County still expects full repayment.

On December 4th, 2012, the County loaned \$225,613 to Core Health. 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, 2016 was \$86,884.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 16-Notes Receivable: (Continued)

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, 2016 was \$64,247. The note is delinquent as of June 30, 2016, but the County expects full repayment is properly secured in case of default.

Note 17-School Board Early Retirement Incentive Plan:

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

Employees may participate in the plan for a maximum of 14 years or until the appropriate age for receipt of social security benefits, whichever occurs first. In the event of the retiree's death, the balance of the ERIP owed will be paid to the retiree's estate. The School Board funds the plan on a pay as you go basis. As of June 30, 2016, the unfunded balance of the early retirement incentive plan totaled \$202,759.

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 \$68,893 as of June 30, 2016 to fund these payments. The plan currently has one participant with an expected total payout of \$11,981 in monthly installments through January 2018.

The remainder of this page is left blank intentionally.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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:		
Unavailable property tax revenue representing uncollected property tax billings that are not available for the funding of current expenditures	\$ -	\$ 1,155,617
Tax assessments due after June 30	10,510,787	10,510,787
Prepaid taxes relating to taxes due in a future period	70,800	70,800
Total deferred/unavailable revenue	\$ 10,581,587	\$ 11,737,204

Note 20-Litigation:

At June 30, 2016, 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:

In December 2016, received loan funding of \$50,000 for the purchase of vehicles paid for during fiscal year 2016. The loan consists of a 3.625% interest rate and 60 monthly payments of \$822 for principal and interest.

The remainder of this page is left blank intentionally.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 22-Restatement of Beginning Balances:

	General Fund	
Fund balance, as previously reported	\$	9,383,639
Correct allocation of fiduciary cash with ASAP		(110,273)
Fund balance, as restated	\$	<u>9,273,366</u>

	Primary Government - Governmental Activities	Component Unit School Board
Net position, as previously reported	\$ 10,849,107	\$ (14,117,999)
Correct allocation of fiduciary cash with ASAP	(110,273)	-
Restatement of deferred outflows - nonprofessional	-	169,878
Net position, as restated	<u>\$ 10,738,834</u>	<u>\$ (13,948,121)</u>

Note 23-Adoption of Accounting Principles:

Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*

The County implemented the provisions of the above Statement during the fiscal year ended June 30, 2016. The Statement generally requires investments to be measured at fair value. The Statement requires the County to use valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach or an income approach. The Statement establishes a hierarchy of inputs used to measure fair value. There was no material impact on the County's financial statement as a result of the implementation of Statement No. 72.

Governmental Accounting Standards Board Statement No. 79, *Certain External Investment Pools and Pool Participants*

The County implemented the provisions of the above Statement during the fiscal year ended June 30, 2016. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. There was no material impact on the County's financial statement as a result of the implementation of Statement No. 79. All required disclosures are located in Note 3.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 23-Adoption of Accounting Principles: (Continued)

Governmental Accounting Standards Board Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*

The County early implemented provisions of the above Statement during the fiscal year ended June 30, 2016. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and 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*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. No restatement was required as a result of this implementation.

Note 24-Upcoming Pronouncements:

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.

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.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 24—Upcoming Pronouncements: (Continued)

Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015.

Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*, improves financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016.

Statement No. 81, *Irrevocable Split-Interest Agreements*, improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively.

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

Required Supplementary Information

County of Grayson, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2016

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive (Negative)
REVENUES				
General property taxes	\$ 9,440,000	\$ 9,440,000	\$ 10,066,617	\$ 626,617
Other local taxes	1,163,000	1,163,000	1,237,656	74,656
Permits, privilege fees, and regulatory licenses	110,000	110,000	73,401	(36,599)
Fines and forfeitures	18,100	18,100	13,803	(4,297)
Revenue from the use of money and property	26,000	26,000	52,390	26,390
Charges for services	1,557,400	1,557,400	1,585,778	28,378
Miscellaneous	126,057	189,236	128,790	(60,446)
Recovered costs	657,986	657,986	446,983	(211,003)
Intergovernmental:				
Commonwealth	4,443,248	4,443,248	3,822,099	(621,149)
Federal	1,200,451	1,200,451	1,380,477	180,026
Total revenues	\$ 18,742,242	\$ 18,805,421	\$ 18,807,994	\$ 2,573
EXPENDITURES				
Current:				
General government administration	\$ 1,550,856	\$ 1,551,820	\$ 1,570,382	\$ (18,562)
Judicial administration	855,449	857,509	863,080	(5,571)
Public safety	3,931,076	3,969,473	4,008,618	(39,145)
Public works	1,675,566	1,697,322	1,669,383	27,939
Health and welfare	2,941,160	2,941,160	2,671,830	269,330
Education	5,287,430	5,386,634	5,274,396	112,238
Parks, recreation, and cultural	445,381	445,381	437,924	7,457
Community development	535,780	537,658	544,708	(7,050)
Capital projects	882,051	882,051	1,235,280	(353,229)
Debt service:				
Principal retirement	593,337	593,337	595,860	(2,523)
Interest and other fiscal charges	681,926	681,926	683,655	(1,729)
Total expenditures	\$ 19,380,012	\$ 19,544,271	\$ 19,555,116	\$ (10,845)
Excess (deficiency) of revenues over (under)				
expenditures	\$ (637,770)	\$ (738,850)	\$ (747,122)	\$ (8,272)
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (52,230)	\$ (52,230)	\$ (50,000)	\$ 2,230
Issuance of note payable	665,000	665,000	665,000	-
Issuance of capital lease	-	-	152,819	152,819
Sale of capital assets	25,000	25,000	-	(25,000)
Total other financing sources (uses)	\$ 637,770	\$ 637,770	\$ 767,819	\$ 130,049
Net change in fund balances	\$ -	\$ (101,080)	\$ 20,697	\$ 121,777
Fund balances - beginning, as restated	-	101,080	9,273,366	9,172,286
Fund balances - ending	\$ -	\$ -	\$ 9,294,063	\$ 9,294,063

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, 2016

	Economic Development			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 2,392	\$ 2,392
EXPENDITURES				
Current:				
Community development	\$ -	\$ -	\$ 227,516	\$ (227,516)
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ (225,124)	\$ (225,124)
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 50,000	\$ 50,000
Net change in fund balances	\$ -	\$ -	\$ (175,124)	\$ (175,124)
Fund balances - beginning	-	-	880,132	880,132
Fund balances - ending	\$ -	\$ -	\$ 705,008	\$ 705,008

County of Grayson, Virginia
Schedule of OPEB Funding Progress
For the Year Ended June 30, 2016

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	\$ -	\$ 470,900	\$ 470,900	0.00%	\$ 3,463,000	13.6%
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	\$ -	\$ 1,624,900	\$ 1,624,900	0.00%	\$ 10,144,600	16.02%
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, 2016

Date (1)	Proportion of the Net Pension Liability (NPL) (2)	Proportionate Share of the NPL (3)	Covered Payroll (4)	Proportionate Share of the NPL as a Percentage of Covered Payroll (3)/(4) (5)	Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability (6)
Primary Government - County Retirement Plan					
2015	94.61%	\$ 5,257,154	\$ 3,631,405	144.77%	74.44%
2014	94.61%	4,836,844	3,532,363	136.93%	75.57%
Component Unit School Board (professional)					
2015	0.12789%	\$ 16,097,000	\$ 9,484,994	169.71%	70.68%
2014	0.12803%	15,438,000	9,342,058	165.25%	70.88%

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

County of Grayson, Virginia
Schedule of Components of and Changes in Net Pension Liability and Related Ratios
Component Unit School Board (nonprofessional)
For the Year Ended June 30, 2016

	2015	2014
Total pension liability		
Service cost	\$ 137,242	\$ 131,743
Interest	358,587	340,515
Differences between expected and actual experience	(63,481)	-
Benefit payments, including refunds of employee contributions	(223,735)	(204,448)
Net change in total pension liability	\$ 208,613	\$ 267,810
Total pension liability - beginning	5,234,541	4,966,731
Total pension liability - ending (a)	\$ 5,443,154	\$ 5,234,541
Plan fiduciary net position		
Contributions - employer	\$ 292,271	\$ 130,031
Contributions - employee	61,197	66,050
Net investment income	222,854	646,555
Benefit payments, including refunds of employee contributions	(223,735)	(204,448)
Administrative expense	(2,874)	(3,460)
Other	(46)	34
Net change in plan fiduciary net position	\$ 349,667	\$ 634,762
Plan fiduciary net position - beginning	4,746,298	4,111,536
Plan fiduciary net position - ending (b)	\$ 5,095,965	\$ 4,746,298
School Division's net pension liability - ending (a) - (b)	\$ 347,189	\$ 488,243
Plan fiduciary net position as a percentage of the total pension liability	93.62%	90.67%
Covered payroll	\$ 1,232,649	\$ 1,271,330
School Division's net pension liability as a percentage of covered payroll	28.17%	38.40%

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

County of Grayson, Virginia
Schedule of Employer Contributions
For the Year Ended June 30, 2016

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government					
2016	\$ 712,656	\$ 712,656	\$ -	\$ 3,778,664	18.86%
2015	684,883	684,883	-	3,631,405	18.86%
Component Unit School Board (nonprofessional)					
2016	\$ 105,194	\$ 105,194	\$ -	\$ 1,055,105	9.97%
2015	122,393	292,271	(169,878)	1,232,649	23.71%
2014	130,057	130,057	-	1,271,330	10.23%
2013	123,968	123,968	-	1,211,812	10.23%
2012	89,421	89,421	-	1,192,283	7.50%
2011	90,260	90,260	-	1,203,460	7.50%
2010	96,561	96,561	-	1,244,348	7.76%
2009	99,578	99,578	-	1,283,224	7.76%
2008	93,457	93,457	-	1,216,885	7.68%
2007	97,429	97,429	-	1,268,605	7.68%
Component Unit School Board (professional)					
2016	\$ 1,171,227	\$ 1,171,227	\$ -	\$ 8,373,995	13.99%
2015	1,368,732	1,368,732	-	9,484,994	14.43%
2014	1,089,284	1,089,284	-	9,342,058	11.66%
2013	1,049,617	1,049,617	-	9,001,861	11.66%
2012	574,205	574,205	-	9,071,165	6.33%
2011	355,747	355,747	-	9,052,083	3.93%
2010	848,995	848,995	-	9,636,720	8.81%
2009	897,826	897,826	-	10,190,988	8.81%
2008	1,015,538	1,015,538	-	9,859,592	10.30%
2007	891,661	891,661	-	9,691,967	9.20%

Current year contributions are from County records and prior year contributions are from the VRS actuarial valuation performed each year.

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

County of Grayson, Virginia
Notes to Required Supplementary Information
June 30, 2016

In 2015, Covered Employee Payroll (as defined by GASB 68) included the total payroll for employees covered under the pension plan whether that payroll is subject to pension coverage or not. This definition was modified in GASB Statement No. 82 and now is the payroll on which contributions to a pension plan are based. The ratios presented use the same measure.

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2015 is not material.

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

Component Unit School Board - Professional Employees

- 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 retirement
- Reduce rates of salary increase by 0.25% per year

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.

Town of Troutdale - The County serves as fiscal agent for a grant obtained by the Town of Troutdale.

County of Grayson, Virginia
Combining Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

	Agency Funds					Total
	Special Welfare	Building Code	ASAP	Regional Library		
ASSETS						
Cash and cash equivalents	\$ 7,034	\$ 820	\$ 131,622	\$ 136,262	\$	275,738
Investments	-	-	172,828	-		172,828
Total assets	<u>\$ 7,034</u>	<u>\$ 820</u>	<u>\$ 304,450</u>	<u>\$ 136,262</u>	<u>\$</u>	<u>448,566</u>
LIABILITIES						
Amounts held for social services clients	\$ 7,034	-	-	-	\$	7,034
Amounts held for subsequent remittance to State for surcharge	-	820	-	-		820
Amounts held for Mt. Rogers Alcohol Safety Action Program	-	-	304,450	-		304,450
Amounts held for Grayson Regional Library	-	-	-	136,262		136,262
Total liabilities	<u>\$ 7,034</u>	<u>\$ 820</u>	<u>\$ 304,450</u>	<u>\$ 136,262</u>	<u>\$</u>	<u>448,566</u>

County of Grayson, Virginia
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2016

	Agency Funds			
	As Restated, Balance July 1, <u>2015</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2016</u>
ASSETS				
Cash and cash equivalents:				
Special Welfare Fund	17,619	\$ 37,314	\$ (47,899)	\$ 7,034
Building Code Fund	427	1,212	(819)	820
ASAP	273,185	277,293	(418,856)	131,622
Regional Library	95,936	733,016	(692,690)	136,262
Town of Troutdale	-	215,431	(215,431)	-
Investments:				
ASAP	172,272	556	-	172,828
Total assets	<u>559,439</u>	<u>1,264,822</u>	<u>(1,375,695)</u>	<u>448,566</u>
LIABILITIES				
Amounts held for others:				
Social services clients	\$ 17,619	\$ 37,314	\$ (47,899)	\$ 7,034
Subsequent remittance to State for surcharge	427	1,212	(819)	820
Mt. Rogers Alcohol Safety Action Program	445,457	277,849	(418,856)	304,450
Grayson Regional Library	95,936	733,016	(692,690)	136,262
Town of Troutdale grant	-	215,431	(215,431)	-
Total liabilities	<u>559,439</u>	<u>1,264,822</u>	<u>(1,375,695)</u>	<u>448,566</u>

County of Grayson, Virginia
Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2016

		School Operating Fund
ASSETS		
Cash and cash equivalents	\$	730,805
Receivables (net of allowance for uncollectibles):		
Accounts receivable		42,624
Due from other governmental units		677,827
Prepaid items		127,700
Total assets		<u>\$ 1,578,956</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$	406,801
Accrued salaries		728,162
Due to primary government		494,486
Total liabilities		<u>\$ 1,629,449</u>
Fund balances:		
Nonspendable:		
Prepaid items	\$	127,700
Committed:		
Cafeteria		1,955
Unassigned		(180,148)
Total fund balances		<u>\$ (50,493)</u>
Total liabilities and fund balances		<u>\$ 1,578,956</u>
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:		
Total fund balances per above	\$	(50,493)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Land	\$	144,690
Buildings and improvements		2,335,991
Machinery and equipment		914,535
Construction in progress		<u>121,822</u>
		3,517,038
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		(1,385,517)
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.		
		1,276,421
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	\$	(92,257)
Net OPEB obligation		(504,100)
ERIP liability		(202,759)
Net pension liability		<u>(16,444,189)</u>
		(17,243,305)
Net position of governmental activities		<u>\$ (13,885,856)</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, 2016

	School Operating Fund
REVENUES	
Revenue from the use of money and property	\$ 481
Charges for services	239,657
Miscellaneous	97,796
Recovered costs	490,794
Intergovernmental:	
Local government	5,254,181
Commonwealth	10,347,748
Federal	2,331,229
Total revenues	<u>\$ 18,761,886</u>
EXPENDITURES	
Current:	
Education	\$ 18,814,240
Total expenditures	<u>\$ 18,814,240</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (52,354)</u>
Net change in fund balances	\$ (52,354)
Fund balances - beginning	1,861
Fund balances - ending	<u><u>\$ (50,493)</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	\$ (52,354)
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	\$ 233,373
Depreciation expense	<u>(552,468)</u>
	(319,095)
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	\$ 1,208,811
One-time payment to VRS Teacher Plan from Virginia Literary Fund	<u>247,000</u>
	1,455,811
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	\$ 92,582
Change in net OPEB obligation	(21,000)
Change in ERIP liability	41,288
Change in net pension liability	(764,946)
Change in deferred outflows of resources related to pensions	<u>(370,021)</u>
	(1,022,097)
Change in net position of governmental activities	<u><u>\$ 62,265</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, 2016

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 481	\$ 481
Charges for services	250,000	250,000	239,657	(10,343)
Miscellaneous	185,500	185,500	97,796	(87,704)
Recovered costs	486,000	486,000	490,794	4,794
Intergovernmental:				
Local government	5,267,215	5,366,419	5,254,181	(112,238)
Commonwealth	10,521,252	10,632,523	10,347,748	(284,775)
Federal	2,269,325	2,328,634	2,331,229	2,595
Total revenues	\$ 18,979,292	\$ 19,249,076	\$ 18,761,886	\$ (487,190)
EXPENDITURES				
Current:				
Education	\$ 18,979,292	\$ 19,249,076	\$ 18,814,240	\$ 434,836
Total expenditures	\$ 18,979,292	\$ 19,249,076	\$ 18,814,240	\$ 434,836
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ (52,354)	\$ (52,354)
Net change in fund balances	\$ -	\$ -	\$ (52,354)	\$ (52,354)
Fund balances - beginning	-	-	1,861	1,861
Fund balances - ending	\$ -	\$ -	\$ (50,493)	\$ (50,493)

County of Grayson, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

Schedule 1
Page 1 of 5

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 7,755,000	\$ 7,755,000	\$ 8,305,051	\$ 550,051
Real and personal public service corporation taxes	200,000	200,000	194,232	(5,768)
Personal property taxes	1,155,000	1,155,000	1,137,018	(17,982)
Mobile home taxes	23,000	23,000	20,310	(2,690)
Machinery and tools taxes	80,000	80,000	147,303	67,303
Merchant's capital	32,000	32,000	40,265	8,265
Penalties	75,000	75,000	78,122	3,122
Interest	120,000	120,000	144,316	24,316
Total general property taxes	\$ 9,440,000	\$ 9,440,000	\$ 10,066,617	\$ 626,617
Other local taxes:				
Local sales and use taxes	\$ 390,000	\$ 390,000	\$ 433,935	\$ 43,935
Consumers' utility taxes	335,000	335,000	340,486	5,486
Consumption taxes	35,000	35,000	35,289	289
Motor vehicle licenses	285,000	285,000	285,194	194
Recordation taxes	75,000	75,000	105,698	30,698
Hotel and motel room taxes	32,000	32,000	25,328	(6,672)
Bank stock tax	11,000	11,000	11,726	726
Total other local taxes	\$ 1,163,000	\$ 1,163,000	\$ 1,237,656	\$ 74,656
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 8,000	\$ 8,000	\$ 8,419	\$ 419
Zoning permits	2,000	2,000	530	(1,470)
Transfer fees	40,000	40,000	767	(39,233)
Erosion control	4,000	4,000	900	(3,100)
Building permits	55,000	55,000	61,007	6,007
Other permits	1,000	1,000	1,778	778
Total permits, privilege fees, and regulatory licenses	\$ 110,000	\$ 110,000	\$ 73,401	\$ (36,599)
Fines and forfeitures:				
Court fines and forfeitures	\$ 18,100	\$ 18,100	\$ 13,803	\$ (4,297)
Revenue from use of money and property:				
Revenue from use of money	\$ 16,000	\$ 16,000	\$ 17,546	\$ 1,546
Revenue from use of property	10,000	10,000	34,844	24,844
Total revenue from use of money and property	\$ 26,000	\$ 26,000	\$ 52,390	\$ 26,390
Charges for services:				
Charges for trash fees	\$ 1,150,000	\$ 1,150,000	\$ 1,113,835	\$ (36,165)
Charges for sanitation and waste removal	281,400	281,400	303,889	22,489
Charges for recycling	50,000	50,000	69,685	19,685
Charges for parks and recreation	56,650	56,650	64,329	7,679
Charges for courtroom security	-	-	13,803	13,803
Charges for Commonwealth's Attorney	2,500	2,500	2,630	130
Charges for courthouse maintenance	-	-	3,367	3,367
Charges for administration	8,250	8,250	9,855	1,605
Charges for law enforcement	8,600	8,600	4,385	(4,215)
Total charges for services	\$ 1,557,400	\$ 1,557,400	\$ 1,585,778	\$ 28,378

County of Grayson, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

Schedule 1
Page 2 of 5

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous:				
Other miscellaneous	\$ 126,057	\$ 189,236	\$ 128,790	\$ (60,446)
Recovered costs:				
City of Galax	\$ 279,986	\$ 279,986	\$ 324,084	\$ 44,098
School resource officer	286,000	286,000	36,000	(250,000)
Department of Social Services	50,000	50,000	49,639	(361)
Other recovered costs	42,000	42,000	37,260	(4,740)
Total recovered costs	\$ 657,986	\$ 657,986	\$ 446,983	\$ (211,003)
Total revenue from local sources	\$ 13,098,543	\$ 13,161,722	\$ 13,605,418	\$ 443,696
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle rolling stock tax	\$ 500	\$ 500	\$ -	\$ (500)
Mobile home titling tax	6,000	6,000	9,135	3,135
Motor vehicle rental tax	100	100	35	(65)
Recordation tax	46,000	46,000	26,821	(19,179)
Communication tax	315,000	315,000	368,323	53,323
Personal property tax relief funds	860,000	860,000	437,787	(422,213)
Total noncategorical aid	\$ 1,227,600	\$ 1,227,600	\$ 842,101	\$ (385,499)
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 300,476	\$ 300,476	\$ 259,271	\$ (41,205)
Sheriff	973,667	973,667	969,874	(3,793)
Commissioner of revenue	84,245	84,245	83,639	(606)
Treasurer	90,077	90,077	88,934	(1,143)
Registrar/electoral board	36,220	36,220	43,779	7,559
Clerk of the Circuit Court	216,015	216,015	224,697	8,682
Total shared expenses	\$ 1,700,700	\$ 1,700,700	\$ 1,670,194	\$ (30,506)
Other categorical aid:				
Public assistance and welfare administration	\$ 755,523	\$ 755,523	\$ 656,719	\$ (98,804)
Children's services act	533,757	533,757	341,064	(192,693)
VJCCA	85,636	85,636	110,544	24,908
Fire programs	35,000	35,000	44,113	9,113
Victim witness	28,932	28,932	29,800	868
Law enforcement grants	68,100	68,100	79,506	11,406
Litter grant	6,000	6,000	7,464	1,464
Asset forfeiture	-	-	38,594	38,594
Other state funds	2,000	2,000	2,000	-
Total other categorical aid	\$ 1,514,948	\$ 1,514,948	\$ 1,309,804	\$ (205,144)
Total categorical aid	\$ 3,215,648	\$ 3,215,648	\$ 2,979,998	\$ (235,650)
Total revenue from the Commonwealth	\$ 4,443,248	\$ 4,443,248	\$ 3,822,099	\$ (621,149)

County of Grayson, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

Schedule 1
Page 3 of 5

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of taxes	\$ 10,000	\$ 10,000	\$ 29,525	\$ 19,525
Categorical aid:				
Public assistance and welfare administration	\$ 1,000,000	\$ 1,000,000	\$ 1,027,306	\$ 27,306
Byrne justice assistance grant	-	-	14,100	14,100
Law enforcement grants	-	-	12,404	12,404
Emergency preparedness	22,500	22,500	7,500	(15,000)
Children's services act	18,613	18,613	18,613	-
Community development block grant	-	-	10,750	10,750
Rural Development sheriff grants	149,338	149,338	146,997	(2,341)
Greenway improvement grants	-	-	108,812	108,812
Victim witness	-	-	4,470	4,470
Total categorical aid	\$ 1,190,451	\$ 1,190,451	\$ 1,350,952	\$ 160,501
Total revenue from the federal government	\$ 1,200,451	\$ 1,200,451	\$ 1,380,477	\$ 180,026
Total General Fund	\$ 18,742,242	\$ 18,805,421	\$ 18,807,994	\$ 2,573
Special Revenue Fund:				
Economic Development Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 2,392	\$ 2,392
Total revenue from local sources	\$ -	\$ -	\$ 2,392	\$ 2,392
Total Economic Development Fund	\$ -	\$ -	\$ 2,392	\$ 2,392
Total Primary Government	\$ 18,742,242	\$ 18,805,421	\$ 18,810,386	\$ 4,965
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	\$ -	\$ -	\$ 481	\$ 481
Charges for services:				
Cafeteria sales	\$ 250,000	\$ 250,000	\$ 239,657	\$ (10,343)
Miscellaneous:				
Other miscellaneous	\$ 185,500	\$ 185,500	\$ 97,796	\$ (87,704)

County of Grayson, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

Schedule 1
Page 4 of 5

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Revenue from local sources: (Continued)				
Recovered costs:				
Dual credit recovered costs	\$ 250,000	\$ 250,000	\$ 197,421	\$ (52,579)
E-rate recovered costs	80,000	80,000	152,360	72,360
Other recovered costs	156,000	156,000	141,013	(14,987)
Total recovered costs	<u>\$ 486,000</u>	<u>\$ 486,000</u>	<u>\$ 490,794</u>	<u>\$ 4,794</u>
Total revenue from local sources	<u>\$ 921,500</u>	<u>\$ 921,500</u>	<u>\$ 828,728</u>	<u>\$ (92,772)</u>
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Grayson, Virginia	<u>\$ 5,267,215</u>	<u>\$ 5,366,419</u>	<u>\$ 5,254,181</u>	<u>\$ (112,238)</u>
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 2,096,805	\$ 2,096,805	\$ 2,123,721	\$ 26,916
Basic school aid	5,108,093	5,108,093	4,941,799	(166,294)
Remedial summer education	94,118	94,118	42,006	(52,112)
Foster care	-	-	7,274	7,274
ISAP	7,859	7,859	7,859	-
Gifted and talented	51,017	51,017	49,664	(1,353)
Remedial education	230,120	230,120	224,015	(6,105)
Jobs for VA graduates	30,000	30,000	25,000	(5,000)
Special education	488,463	488,463	475,504	(12,959)
Textbook payment	107,977	107,977	101,673	(6,304)
School nutrition	16,597	16,597	13,179	(3,418)
Vocational standards of quality payments	248,574	248,574	241,979	(6,595)
Vocational education equipment	-	-	5,227	5,227
Social security fringe benefits	323,471	323,471	314,890	(8,581)
Retirement fringe benefits	639,344	639,344	622,382	(16,962)
Group life insurance fringe benefit	20,624	20,624	20,077	(547)
Early reading intervention	35,246	35,246	33,173	(2,073)
Special education - Homebound	18,732	18,732	11,688	(7,044)
Special education - tuition	102,956	102,956	126,843	23,887
Vocational occupational preparedness	30,257	30,257	45,607	15,350
At risk payments	250,228	250,228	250,228	-
At risk four year olds	133,396	133,396	133,396	-
Primary class size	112,411	112,411	108,120	(4,291)
Technology	232,000	279,376	279,376	-
Industry certification cost	12,500	12,500	2,919	(9,581)
English as a second language	13,803	13,803	12,991	(812)
Standards of Learning algebra readiness	25,505	25,505	29,756	4,251
National board certified teacher	-	-	7,500	7,500
Compensation supplement	90,252	90,252	87,852	(2,400)
Mentor teacher program	904	904	1,050	146
Other categorical aid	-	63,895	1,000	(62,895)
Total categorical aid	<u>\$ 10,521,252</u>	<u>\$ 10,632,523</u>	<u>\$ 10,347,748</u>	<u>\$ (284,775)</u>
Total revenue from the Commonwealth	<u>\$ 10,521,252</u>	<u>\$ 10,632,523</u>	<u>\$ 10,347,748</u>	<u>\$ (284,775)</u>

County of Grayson, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

Schedule 1
Page 5 of 5

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Revenue from the federal government:				
Categorical aid:				
Forest reserve fund	\$ -	\$ 59,309	\$ 49,583	\$ (9,726)
Title I	597,119	597,119	573,986	(23,133)
Title VI-B, special education flow-through	475,236	475,236	432,551	(42,685)
Title VI-B, special education pre-school	23,795	23,795	29,956	6,161
21st century learning grants	326,733	326,733	309,970	(16,763)
Migrant education	12,281	12,281	3,616	(8,665)
National school breakfast program	183,063	183,063	183,063	-
National school lunch breakfast program	455,718	455,718	579,493	123,775
Supporting effective instruction	115,343	115,343	102,600	(12,743)
Perkins vocational education	49,845	49,845	48,561	(1,284)
Title VI, rural and low income school administration	30,192	30,192	17,850	(12,342)
Total categorical aid	<u>\$ 2,269,325</u>	<u>\$ 2,328,634</u>	<u>\$ 2,331,229</u>	<u>\$ 2,595</u>
Total revenue from the federal government	<u>\$ 2,269,325</u>	<u>\$ 2,328,634</u>	<u>\$ 2,331,229</u>	<u>\$ 2,595</u>
Total School Operating Fund	<u>\$ 18,979,292</u>	<u>\$ 19,249,076</u>	<u>\$ 18,761,886</u>	<u>\$ (487,190)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 18,979,292</u>	<u>\$ 19,249,076</u>	<u>\$ 18,761,886</u>	<u>\$ (487,190)</u>

County of Grayson, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

Schedule 2
Page 1 of 4

<u>Fund, Function, Activity, and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 50,806	\$ 51,105	\$ 52,952	\$ (1,847)
General and financial administration:				
County administrator	\$ 481,567	\$ 481,657	\$ 484,935	\$ (3,278)
Audit services	101,400	101,400	102,710	(1,310)
Legal services	50,000	50,000	31,238	18,762
Commissioner of revenue	257,503	258,034	255,092	2,942
Reassessment	10,000	10,000	53,777	(43,777)
Treasurer	320,683	320,683	320,053	630
Information technology	91,563	91,563	91,333	230
Other general and financial administration	34,000	34,000	33,956	44
Total general and financial administration	\$ 1,346,716	\$ 1,347,337	\$ 1,373,094	\$ (25,757)
Board of elections:				
Electoral board and officials	\$ 67,200	\$ 67,244	\$ 61,156	\$ 6,088
Registrar	86,134	86,134	83,180	2,954
Total board of elections	\$ 153,334	\$ 153,378	\$ 144,336	\$ 9,042
Total general government administration	\$ 1,550,856	\$ 1,551,820	\$ 1,570,382	\$ (18,562)
Judicial administration:				
Courts:				
Circuit court	\$ 18,975	\$ 18,975	\$ 18,974	\$ 1
General district court	7,584	7,584	7,922	(338)
Special magistrates	1,150	1,150	630	520
VJCCA	85,598	87,658	86,093	1,565
Courtroom security	-	-	15,533	(15,533)
Law library	-	-	220	(220)
Victim witness	48,266	48,266	48,036	230
Clerk of the circuit court	337,553	337,553	332,934	4,619
Total courts	\$ 499,126	\$ 501,186	\$ 510,342	\$ (9,156)
Commonwealth's attorney:				
Commonwealth's attorney	\$ 356,323	\$ 356,323	\$ 352,738	\$ 3,585
Total judicial administration	\$ 855,449	\$ 857,509	\$ 863,080	\$ (5,571)
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 2,401,386	\$ 2,438,619	\$ 2,468,672	\$ (30,053)
Fire and rescue services:				
Volunteer fire department	\$ 130,780	\$ 130,780	\$ 130,238	\$ 542
Ambulance and rescue services	169,600	169,600	164,673	4,927
Twin County E911	187,120	187,120	187,120	-
Total fire and rescue services	\$ 487,500	\$ 487,500	\$ 482,031	\$ 5,469

County of Grayson, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

Schedule 2
Page 2 of 4

<u>Fund, Function, Activity, and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public safety: (Continued)				
Correction and detention:				
New River Valley Regional Jail payments	\$ 721,505	\$ 721,505	\$ 742,063	\$ (20,558)
New River Valley Juvenile Detention Center payments	27,300	27,300	24,124	3,176
Total correction and detention	<u>\$ 748,805</u>	<u>\$ 748,805</u>	<u>\$ 766,187</u>	<u>\$ (17,382)</u>
Inspections:				
Building	\$ 138,811	\$ 139,975	\$ 138,900	\$ 1,075
Other protection:				
Animal warden	\$ 95,584	\$ 95,584	\$ 91,452	\$ 4,132
Day report	55,490	55,490	58,068	(2,578)
Medical examiner	2,500	2,500	2,078	422
Emergency services	1,000	1,000	1,230	(230)
Total other protection	<u>\$ 154,574</u>	<u>\$ 154,574</u>	<u>\$ 152,828</u>	<u>\$ 1,746</u>
Total public safety	<u>\$ 3,931,076</u>	<u>\$ 3,969,473</u>	<u>\$ 4,008,618</u>	<u>\$ (39,145)</u>
Public works:				
Sanitation and waste removal:				
Refuse collection	\$ 899,590	\$ 921,346	\$ 907,117	\$ 14,229
Refuse disposal	357,600	357,600	357,015	585
Recycling program	83,026	83,026	81,453	1,573
Total sanitation and waste removal	<u>\$ 1,340,216</u>	<u>\$ 1,361,972</u>	<u>\$ 1,345,585</u>	<u>\$ 16,387</u>
Maintenance of general buildings and grounds:				
General properties	\$ 141,119	\$ 141,119	\$ 140,521	\$ 598
Public works	55,980	55,980	53,295	2,685
Jail building	27,650	27,650	25,052	2,598
Courthouse	107,801	107,801	104,508	3,293
Health center	2,800	2,800	422	2,378
Total maintenance of general buildings and grounds	<u>\$ 335,350</u>	<u>\$ 335,350</u>	<u>\$ 323,798</u>	<u>\$ 11,552</u>
Total public works	<u>\$ 1,675,566</u>	<u>\$ 1,697,322</u>	<u>\$ 1,669,383</u>	<u>\$ 27,939</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 173,387	\$ 173,387	\$ 173,387	\$ -
Mental health and mental retardation:				
Mt. Rogers Community Services Board	\$ 51,000	\$ 51,000	\$ 51,000	\$ -
Welfare:				
Welfare administration and programs	\$ 2,002,746	\$ 2,002,746	\$ 1,921,130	\$ 81,616
Children's services act	700,000	700,000	514,872	185,128
Area office on aging	14,027	14,027	11,441	2,586
Total welfare	<u>\$ 2,716,773</u>	<u>\$ 2,716,773</u>	<u>\$ 2,447,443</u>	<u>\$ 269,330</u>
Total health and welfare	<u>\$ 2,941,160</u>	<u>\$ 2,941,160</u>	<u>\$ 2,671,830</u>	<u>\$ 269,330</u>

County of Grayson, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

Schedule 2
Page 3 of 4

<u>Fund, Function, Activity, and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Education:				
Other instructional costs:				
Contribution to Community College	\$ 20,215	\$ 20,215	\$ 20,215	\$ -
Contribution to County School Board	5,267,215	5,366,419	5,254,181	112,238
Total education	\$ 5,287,430	\$ 5,386,634	\$ 5,274,396	\$ 112,238
Parks, recreation, and cultural:				
Parks and recreation:				
Recreational	\$ 197,881	\$ 197,881	\$ 190,424	\$ 7,457
Library:				
Contribution to regional library	\$ 247,500	\$ 247,500	\$ 247,500	\$ -
Total parks, recreation, and cultural	\$ 445,381	\$ 445,381	\$ 437,924	\$ 7,457
Community development:				
Planning and community development:				
Planning commission	\$ 18,304	\$ 18,304	\$ 9,219	\$ 9,085
Tourism development	39,500	39,500	29,655	9,845
Twin county airport	51,960	51,960	51,960	-
Multi-flora rose	475	478	-	478
Economic development	241,778	241,778	285,204	(43,426)
Other community development	69,103	69,103	69,103	-
Total planning and community development	\$ 421,120	\$ 421,123	\$ 445,141	\$ (24,018)
Environmental management:				
Contribution to soil and water district	\$ 5,000	\$ 5,000	\$ 5,000	\$ -
Storm water maintenance	20,915	20,915	7,534	13,381
Total environmental management	\$ 25,915	\$ 25,915	\$ 12,534	\$ 13,381
Cooperative extension program:				
Extension office	\$ 88,745	\$ 90,620	\$ 87,033	\$ 3,587
Total community development	\$ 535,780	\$ 537,658	\$ 544,708	\$ (7,050)
Capital projects:				
Other capital projects	\$ 882,051	\$ 882,051	\$ 1,235,280	\$ (353,229)
Total capital projects	\$ 882,051	\$ 882,051	\$ 1,235,280	\$ (353,229)
Debt service:				
Principal retirement	\$ 593,337	\$ 593,337	\$ 595,860	\$ (2,523)
Interest and other fiscal charges	681,926	681,926	683,655	(1,729)
Total debt service	\$ 1,275,263	\$ 1,275,263	\$ 1,279,515	\$ (4,252)
Total General Fund	\$ 19,380,012	\$ 19,544,271	\$ 19,555,116	\$ (10,845)

County of Grayson, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

Schedule 2
Page 4 of 4

<u>Fund, Function, Activity, and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Special Revenue Fund:				
Economic Development Fund				
Community Development:				
Economic development	\$ -	\$ -	227,516	\$ (227,516)
Total community development	\$ -	\$ -	227,516	\$ (227,516)
Total Economic Development Fund	\$ -	\$ -	227,516	\$ (227,516)
Total Primary Government	\$ 19,380,012	\$ 19,544,271	\$ 19,782,632	\$ (238,361)
Discretely Presented Component Unit - School Board				
School Operating Fund:				
Education:				
Administration of schools:				
Administration, attendance and health	\$ 1,073,174	\$ 1,073,174	1,143,030	\$ (69,856)
Instructional costs:				
Classroom instruction	\$ 13,318,729	\$ 13,463,702	13,408,933	\$ 54,769
Operating costs:				
School cafeteria operations	\$ 922,882	\$ 922,882	1,037,179	\$ (114,297)
Pupil transportation	1,525,533	1,525,533	1,513,788	11,745
Operation and maintenance of school plant	2,138,974	2,263,785	1,711,310	552,475
Total operating costs	\$ 4,587,389	\$ 4,712,200	4,262,277	\$ 449,923
Total Education	\$ 18,979,292	\$ 19,249,076	\$ 18,814,240	\$ 434,836
Total Discretely Presented Component Unit - School Board	\$ 18,979,292	\$ 19,249,076	\$ 18,814,240	\$ 434,836

Other Statistical Information

Table 1

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Development	Interest on Long-Term Debt	Public Service Authority	Total
2015-16	\$ 1,221,223	\$ 738,367	\$ 3,756,030	\$ 1,684,005	\$ 2,568,994	\$ 5,768,172	\$ 655,508	\$ 841,802	\$ 484,527	\$ 251,679	\$ 17,970,307
2014-15	1,427,523	834,684	3,434,969	1,826,856	2,866,899	6,361,306	446,006	2,989,423	602,957	242,411	21,033,034
2013-14	1,162,628	852,464	3,402,712	1,725,831	2,827,869	5,668,170	441,542	757,907	612,569	256,916	17,708,608
2012-13	979,020	791,486	3,265,425	1,297,578	2,563,894	4,980,545	471,473	764,628	641,036	278,561	16,033,646
2011-12	1,008,351	773,326	3,160,218	1,199,271	2,562,695	5,169,448	413,036	724,623	544,422	263,930	15,819,320
2010-11	1,086,469	789,512	2,991,393	1,326,795	2,377,040	4,960,032	451,087	703,919	665,468	250,913	15,602,628
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

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	
2015-16	\$ 1,892,199	\$ 4,075,141	\$ 519,113	\$	10,051,393	\$ 1,237,656	\$ 54,782	\$ 128,790	\$ 871,626	\$ 18,830,700	
2014-15	1,873,127	6,416,998	117,736		9,952,630	1,216,759	13,685	199,924	833,385	20,624,244	
2013-14	1,839,717	4,226,419	295,086		9,860,779	1,176,665	15,948	159,300	887,267	18,461,181	
2012-13	1,917,268	2,853,619	-		9,882,433	1,168,873	55,428	172,230	890,996	16,940,847	
2011-12	1,892,336	3,702,651	77,814		9,854,958	1,207,281	49,575	223,235	858,516	17,866,366	
2010-11	1,774,251	3,530,700	1,130,667		9,705,791	1,187,265	46,102	116,907	901,066	18,392,749	
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	255,809		6,181,765	1,716,432	320,763	120,632	590,274	13,511,608	
2006-07	397,917	3,629,836	185,121		6,112,092	1,668,962	296,834	224,502	596,605	13,111,869	

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								
2015-16	\$	1,570,382	\$	863,080	\$	4,008,618	\$	1,669,383	\$	2,671,830	\$	18,834,455	\$	437,924	\$	772,224	\$	1,279,515	\$	32,107,411
2014-15		1,674,343		824,504		3,599,711		1,800,178		2,997,266		21,203,761		437,609		2,954,436		1,516,865		37,008,673
2013-14		1,334,380		846,279		3,625,690		1,689,509		2,900,826		21,562,711		440,943		770,461		625,865		33,796,664
2012-13		1,222,809		786,241		3,240,572		1,497,117		2,569,675		22,071,949		462,165		700,556		18,773,245		51,324,329
2011-12		1,217,199		763,200		3,230,783		1,403,871		2,578,416		20,668,911		432,114		669,680		19,077,039		50,041,213
2010-11		1,293,198		781,229		2,897,363		2,123,915		2,367,933		22,516,521		494,889		657,763		2,438,853		35,571,664
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

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

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

Table 4

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

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter- governmental (2)	Total
2015-16	\$ 10,066,617	\$ 1,237,656	\$ 73,401	\$ 13,803	\$ 55,263	\$ 1,825,435	\$ 226,586	\$ 937,777	\$ 17,881,553	\$ 32,318,091
2014-15	9,742,742	1,216,759	76,772	20,858	13,712	1,855,831	328,596	1,078,855	21,666,780	36,000,905
2013-14	9,911,906	1,176,665	87,650	20,089	15,739	1,795,200	624,288	962,323	20,508,525	35,102,385
2012-13	9,677,846	1,168,873	84,070	27,735	54,947	1,972,939	814,140	309,270	21,335,715	35,445,535
2011-12	9,717,645	1,207,281	87,487	22,033	49,129	1,917,259	681,914	336,497	19,905,626	33,924,871
2010-11	9,648,978	1,187,265	94,520	45,467	44,236	1,845,497	623,520	308,528	21,810,779	35,608,790
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

(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
2015-16	\$ 9,826,512	\$ 9,146,131	93.08%	\$ 650,180	9,796,311	99.69%	\$ 1,344,578	13.68%
2014-15	9,748,700	9,128,324	93.64%	477,081	9,605,405	98.53%	1,438,969	14.76%
2013-14	9,758,039	9,058,301	92.83%	507,328	9,565,629	98.03%	1,318,247	13.51%
2012-13	9,765,219	9,065,028	92.83%	411,738	9,476,766	97.05%	1,263,967	12.94%
2011-12	9,627,917	9,064,047	94.14%	446,328	9,510,375	98.78%	1,024,867	10.64%
2010-11	9,632,648	9,067,919	94.14%	411,546	9,479,465	98.41%	949,816	9.86%
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%

(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	Personal Property and Mobile				Machinery and Tools	Public Utility (2)			Total
	Real Estate	Homes	Merchant's Capital	Real		Personal Property			
				Estate			Estate		
2015-16	\$ 1,677,434,500	\$ 100,886,499	\$ 658,664	\$ 9,507,998	\$ 53,443,671	\$ -	\$ -	\$ 1,841,931,332	
2014-15	1,675,444,500	99,452,456	634,712	8,222,871	46,905,446	-	-	1,830,659,985	
2013-14	1,669,670,500	95,817,181	658,976	8,774,792	41,073,315	-	-	1,815,994,764	
2012-13	1,665,125,300	97,851,316	646,211	7,123,835	42,014,145	49,425	49,425	1,812,810,232	
2011-12	1,658,580,400	97,342,296	601,363	6,638,371	38,897,071	65,145	65,145	1,802,124,646	
2010-11	1,655,566,400	98,196,863	493,893	8,481,414	35,439,899	61,188	61,188	1,798,239,657	
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	

(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
2015-16	\$ 0.49	\$ 1.75	\$ 1.75	\$ 6.70
2014-15	0.49	1.75	1.75	6.70
2013-14	0.49	1.75	1.75	6.70
2012-13	0.49	1.75	1.75	6.70
2011-12	0.49	1.75	1.75	6.70
2010-11	0.49	1.75	1.75	6.70
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

(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
2015-16	15,533	\$ 1,841,931	\$ 15,478,753	\$ 15,478,753	0.84%	\$ 997
2014-15	15,533	1,830,660	16,072,090	16,072,090	0.88%	1,035
2013-14	15,533	1,815,995	16,894,524	16,894,524	0.93%	1,088
2012-13	15,533	1,812,810	16,974,620	16,974,620	0.94%	1,093
2011-12	15,533	1,802,125	19,033,426	19,033,426	1.06%	1,225
2010-11	15,533	1,798,240	19,509,496	19,509,496	1.08%	1,256
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

(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
2015-16	595,860	683,655	1,279,515	32,107,411	3.99%
2014-15	822,434	694,431	1,516,865	37,008,673	4.10%
2013-14	112,865	513,000	625,865	33,796,664	1.85%
2012-13 (3)	18,009,866	763,379	18,773,245	51,324,329	36.58%
2011-12 (2)	18,434,255	642,784	19,077,039	50,041,213	38.12%
2010-11	2,358,145	392,389	2,750,534	35,571,664	7.73%
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%

(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

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit-School Board, each major fund, and the aggregate remaining fund information of the County of Grayson, Virginia, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County of Grayson, Virginia's basic financial statements, and have issued our report thereon dated January 24, 2017.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses [2016-001, 2016-002, and 2016-004].

Compliance and Other Matters

As part of obtaining reasonable assurance about whether County of Grayson, Virginia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2016-003.

County of Grayson, Virginia's Response to Finding

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

Purpose of this Report

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

Robinson, Turner, & Associates

Blacksburg, Virginia
January 24, 2017

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

Report on Compliance for Each Major Federal Program

We have audited County of Grayson's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of County of Grayson's major federal programs for the year ended June 30, 2016. County of Grayson's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, County of Grayson, 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, 2016.

Report on Internal Control over Compliance

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

Robinson, Farmer, Co. Associates

Blacksburg, Virginia
January 24, 2017

County of Grayson, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

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	0950014, 0950115	\$ 9,440
Temporary Assistance for Needy Families	93.558	0400115, 0400116	167,959
Refugee and Entrant Assistance - State Administered Programs	93.566	0500115, 0500116	185
Low-Income Home Energy Assistance	93.568	0600415, 0600416	19,115
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760115, 0760116	28,219
Chafee Education and Training Vouchers Program	93.599	9160115	1,039
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900115, 0900116	844
Foster Care - Title IV-E	93.658	1100115, 1100116	111,232
Adoption Assistance	93.659	1120115, 1120116	178,531
Social Services Block Grant	93.667	1000115, 1000116	124,490
Chafee Foster Care Independence Program	93.674	9150115, 9150116	2,181
Medical Assistance Program	93.778	1200115, 1200116	216,274
Children's Health Insurance Program	93.767	0540115, 0540116	6,734
			<u>\$ 866,243</u>
Total Department of Health and Human Services			<u>\$ 866,243</u>
Department of Agriculture:			
Direct Payments:			
Community Facilities Loans and Grants	10.766	N/A	<u>\$ 811,997</u>
Pass Through Payments:			
<i>Child Nutrition Cluster:</i>			
<i>Department of Agriculture:</i>			
Summer Food Service Program for Children	10.559	Not available	\$ 33,533
Food Distribution (Note 3)	10.555	Not available	\$ 71,179
<i>Department of Education:</i>			
National School Lunch Program	10.555	40623	479,337 550,516
School Breakfast Program	10.553	40591	178,507
Total Child Nutrition Cluster			<u>\$ 762,556</u>
<i>Department of Education:</i>			
Schools and Roads - Grants to States	10.665	43841	49,583
<i>Department of Social Services:</i>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010115, 0010116 0040115, 0040116	179,676
			<u>\$ 1,803,812</u>
Total Department of Agriculture			<u>\$ 1,803,812</u>
Department of Justice:			
Pass Through Payments:			
<i>Compensation Board:</i>			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	14-A2882AD12, 14-P1144L013	\$ 14,100
Department of Emergency Management:			
Crime Victim Assistance	16.575	Not available	4,470
			<u>\$ 18,570</u>
Total Department of Justice			<u>\$ 18,570</u>
Department of Transportation:			
Pass Through Payments:			
<i>Department of Motor Vehicles:</i>			
Alcohol Open Container Requirements	20.607	154AL-2014-54094-5342 154AL-2015-55013-5752	\$ 12,404
<i>Highway Planning and Construction Cluster</i>			
<i>Department of Motor Vehicles:</i>			
Highway Planning and Construction	20.205	EN00-038-103	\$ 17,202
<i>Federal Highway Administration:</i>			
Recreational Trails Program	20.219	Not available	\$ 91,610
			<u>\$ 121,216</u>
Total Department of Transportation			<u>\$ 121,216</u>
Department of Homeland Security:			
Pass Through Payments:			
<i>Department of Emergency Services:</i>			
Emergency Management Performance Grants	97.042	62744	\$ 7,500
			<u>\$ 7,500</u>
Total Department of Homeland Security:			<u>\$ 7,500</u>

County of Grayson, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016 (Continued)

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Education:			
Pass Through Payments:			
<i>Department of Education:</i>			
<i>Special Education Cluster:</i>			
Special Education - Preschool Grants	84.173	62521	\$ 29,956
Special Education - Grants to States	84.027	43071	432,551
<i>Total Special Education Cluster</i>			\$ 462,507
Title I: Grants to Local Educational Agencies	84.010	42901	573,986
Twenty-first Century Community Learning Centers	84.287	60565	309,970
Career and Technical Education: Basic Grants to States	84.048	61095	48,561
Rural Education	84.358	43481	17,850
Supporting Effective Instruction State Grant	84.367	61480	102,600
Migrant Education - State Grant Program	84.011	60525	3,616
Total Department of Education			\$ 1,519,090
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	\$ 262,579
Total Expenditures of Federal Awards			\$ 4,599,010

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, its blended component units Grayson County Public Service Authority and Grayson County Economic Development Authority, and its discretely presented component unit - School Board under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County of Grayson, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County of Grayson, Virginia.

Note 2 -- Summary of Significant Accounting Policies

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance and/or 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.
- (3) The County did not elect an indirect cost rate because they only request direct costs for reimbursement.

Note 3 -- Food Donation

Nonmonetary assistance is reported in the schedule at the fair market value of commodities received and disbursed. At June 30, 2016, the County had no food commodities in inventory.

Note 4 -- Subrecipients

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

Note 5 -- Federal Loans

The Grayson County Economic Development Authority (blended component unit) has one outstanding loan, as of June 30, 2016, with USDA Rural Development totaling \$662,477.

Note 6 -- Relationship to the Financial Statements:

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:	
General Fund	\$ 1,380,477
Less: Payment in lieu of taxes	(29,525)
Add: Notes payable	665,000
Total primary government	\$ 2,015,952
Enterprise Fund	\$ 251,829
Component Unit School Board:	
School Operating Fund	\$ 2,331,229
Total expenditures of federal awards per basic financial statements	\$ 4,599,010

County of Grayson, Virginia

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	Yes

Federal Awards

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

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
10.553/10.555/10.559	Child Nutrition Cluster
10.766	Community Facilities Loans and Grants
84.027/84.173	Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee?	No

County of Grayson, Virginia

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

Section II - Financial Statement Findings

2016-001

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

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

Cause of Condition: The County hires a consulting CPA firm to prepare the County and School Board's financial records for audit. During this fiscal year the consulting firm assigned a new accountant to the County and School Board's engagement. Because the accountant was new to the County and School Board records they were not aware of the intricacies of their financial reporting processes.

Effect of Condition: There is more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal controls over financial reporting.

Recommendation: The County's consultant will become more familiar with the County and School Board's financial procedures; therefore, we expect the size and volume of proposed audit adjustments to decrease going forward.

Management's Response: The County and School Board will work with their consultant to provide accurate information for the fiscal year 2017 audit.

2016-002

Criteria: A key concept of internal controls is segregation of duties. No one employee should have access to both accounting records and related assets.

Condition: The County and School Board do not have proper segregation of duties over the tax and water billing and collection functions or the School Board payroll function.

County of Grayson, Virginia

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

Section II - Financial Statement Findings (Continued)

Cause of Condition:	The County has implemented a new integrated software that does not have adequate controls to restrict access of collection employees from the billing modules. In addition, the School Board has had employee turnover leading to a lack of review surrounding payroll processing.
Effect of Condition:	There is more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal controls over financial reporting.
Recommendation:	The County should limit system access and ensure proper checks and balances regarding billings and collections. The School Board should implement proper review procedures surrounding payroll.
Management's Response:	Management will implement the recommended actions as soon as possible.

2016-003

Criteria:	The Code of Virginia § 58.1-3981 states the Commissioner of the Revenue will prepare exonerations for any tax that he has deemed to be erroneously assessed. A copy of any such exoneration should be provided to the Treasurer.
Condition:	The Treasurer's office currently has software access to perform exonerations in the system and on occasion is performing same.
Cause of Condition:	New software was implemented without a proper assignment of controls.
Effect of Condition:	The County does not appear to be in compliance with the Code of Virginia in regards to the exoneration process.
Recommendation:	We recommend the County provide the Commissioner of the Revenue's office access to prepare and post any applicable supplements or exonerations to the financial system. We recommend the Treasurer's office no longer post supplements or exonerations to the financial system.
Management's Response:	Management will implement the recommended actions as soon as possible.

County of Grayson, Virginia

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

Section II - Financial Statement Findings (Continued)

2016-004

Criteria:

The County should have sufficient monitoring procedures to mitigate certain internal control risks. These procedures include providing accurate and timely monthly reports to the Board of Supervisors. A completed and reviewed bank reconciliation is a vital piece of ensuring the overall accuracy of information provided to the Board.

Condition:

The Treasurer's office had not reconciled the July 2016 operating bank account as of audit fieldwork in November 2016.

Cause of Condition:

The Treasurer's office is still learning the bank reconciliation module of the new financial software and relies on an external consultant to prepare the monthly bank reconciliation.

Effect of Condition:

There is more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal controls over financial reporting.

Recommendation:

We recommend the Treasurer's office implement procedures to prepare the monthly bank reconciliation in a timely manner. In addition, we recommend the reconciliation be reviewed by someone outside of the reconciliation process for accuracy.

Management's Response:

Management will implement the recommended actions as soon as possible.

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.