

COUNTY OF GRAYSON, VIRGINIA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

COUNTY OF GRAYSON, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2018

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INTRODUCTORY SECTION

COUNTY OF GRAYSON, VIRGINIA

BOARD OF SUPERVISORS

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

COUNTY SCHOOL BOARD

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

SOCIAL SERVICES BOARD

	Brenda Sutherland, Chair	
Kate Irwin, Vice 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
Interim Director of Social Services	Debbie Rutherford
County Administrator	Bill Shepley

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, 2018, 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit-School Board, each major fund, and the aggregate remaining fund information of the County of Grayson, as of June 30, 2018, 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 Principles

As described in Note 22 to the financial statements, in 2018, the County adopted new accounting guidance, GASB Statement Nos. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and 85 *Omnibus 2017*. Our opinion is not modified with respect to this matter.

Restatement of Beginning Balances

As described in Note 23 to the financial statements, in 2018, the County restated beginning balances to reflect the requirements of GASB Statement No. 75 as well as a correction to accrued leave beginning balances. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 5-13, 117-118, and 119-134 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Supplementary and Other Information

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

Supplementary and Other Information (Continued)

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2018, on our consideration of the County of Grayson, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of County of Grayson, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Grayson, Virginia's internal control over financial reporting and compliance.



Blacksburg, Virginia
December 28, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

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, 2018. 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 \$11,450,534 (net position). Of this amount, \$3,454,849 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 \$2,356,357 (net position). Of this amount, \$136,042 was considered unrestricted.
- The liabilities and deferred inflows of the School Board component unit exceeded its assets and deferred outflows at the close of the fiscal year by \$(14,392,833) (net position). Of this amount \$(17,801,062) was considered unrestricted.
- As of the close of the current fiscal year, the County's funds reported combined ending fund balances of \$8,610,332. Of this amount, \$5,579,595 was considered unassigned, \$54,754 was considered nonspendable, \$1,559,695 was considered assigned, \$1,291,853 was considered committed, and \$124,435 was considered restricted.
- During the fiscal year, the County had a change in net position of \$729,453 for governmental activities, \$(62,102) for business-type activities, and \$1,677,958 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, expenses exceeded the revenues and net transfers for the fiscal year. For the School Board component unit, the revenues exceeded the expenses for the fiscal year.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

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, 2018

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.

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 \$11,450,534 at the close of the most recent fiscal year.

A significant portion of the County's net position, \$7,871,250 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 \$124,435, is subject to restrictions on how it may be used. The remaining balance of net position of \$3,454,849 may be used to meet the County's ongoing obligations.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

Overview of the Financial Statements (Continued)

The following table summarizes the County's Statement of Net Position and Statement of Activities for 2018 and 2017:

Table 1

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2018	2017	2018	2017	2018
Current Assets	21,371,194	19,215,978	160,873	186,942	21,532,067	19,402,920
Capital Assets	24,175,125	24,197,751	2,340,880	2,247,641	26,516,005	26,445,392
Total Assets	45,546,319	43,413,729	2,501,753	2,434,583	48,048,072	45,848,312
Deferred Outflow of Resources	1,252,303	890,769	-	51,432	1,252,303	890,769
Current Liabilities	629,923	760,523	44,346	38,527	674,269	799,050
Long-Term Liabilities	24,541,931	23,136,178	31,335	83,178	24,573,266	23,219,356
Total Liabilities	25,171,854	23,896,701	75,681	121,705	25,247,535	24,018,406
Deferred Inflows of Resources	10,274,816	8,957,263	-	7,953	10,274,816	8,965,216
Net Position:						
Net Investment in Capital Assets	6,511,665	7,871,250	2,309,545	2,220,315	8,821,210	10,091,565
Restricted	156,284	124,435	-	-	156,284	124,435
Unrestricted	4,684,003	3,454,849	116,527	136,042	4,800,530	3,590,891
Total Net Position	11,351,952	11,450,534	2,426,072	2,356,357	13,778,024	13,806,891

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**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**
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	
	2017	2018	2017	2018	2017	2018
Charges for Services	1,799,204	1,782,917	210,825	231,129	2,010,029	2,014,046
Operating Grants/Contributions	4,674,073	5,143,093			4,674,073	5,143,093
Capital Grants/Contributions	546,562	-	3,705	9,801	550,267	9,801
Program Revenues	7,019,839	6,926,010	214,530	240,930	7,234,369	7,166,940
Taxes	11,303,562	13,459,184	-	-	11,303,562	13,459,184
Interest Income	105,301	138,902	-	-	105,301	138,902
Miscellaneous	276,787	235,850	-	12,900	276,787	248,750
Grants not restricted to program	871,750	922,019	-	-	871,750	922,019
General Revenues	12,557,400	14,755,955	-	12,900	12,557,400	14,768,855
Total Revenues	19,577,239	21,681,965	214,530	253,830	19,791,769	21,935,795
General Government	1,347,040	1,458,826	-	-	1,347,040	1,458,826
Judicial Administration	988,337	1,056,799	-	-	988,337	1,056,799
Public Safety	4,130,658	4,527,923	-	-	4,130,658	4,527,923
Public Works	1,833,305	1,874,082	-	-	1,833,305	1,874,082
Health and Welfare	2,757,910	3,439,152	-	-	2,757,910	3,439,152
Education	6,166,623	6,497,246	-	-	6,166,623	6,497,246
Parks, Recreation, Cultural	479,298	518,306	-	-	479,298	518,306
Community Development	1,168,881	1,127,597	-	-	1,168,881	1,127,597
Interest on long-term debt	487,320	452,581	-	-	487,320	452,581
Water authority	-	-	313,773	315,932	313,773	315,932
Total Expenses	19,359,372	20,952,512	313,773	315,932	19,673,145	21,268,444
Transfers	-	-	-	-	-	-
Change in Net Position	217,867	729,453	(99,243)	(62,102)	118,624	667,351
Beginning Net Position as restated	11,134,085	10,721,081	2,525,315	2,418,459	13,659,400	13,139,540
Ending Net Position	11,351,952	11,450,534	2,426,072	2,356,357	13,778,024	13,806,891

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

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 \$8,610,332; \$124,435 constitutes restricted fund balance, which is not available for current spending since it has been restricted by external parties such as grantors, laws or legislation. Approximately \$1,291,853 has been committed by action of the Board of Supervisors and \$1,559,695 has been assigned by the Board of Supervisors. The remaining balance, \$5,579,595 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 \$7,694,678 of this amount \$5,579,595 was considered unassigned. The Economic Development Fund's entire fund balance of \$915,654 was committed.

Total governmental fund revenues increased \$2,164,448 and expenditures increased \$1,652,862 over prior fiscal year amounts. For fiscal year ended June 30, 2018, expenditures exceeded revenues and other financing sources by \$(965,846) as compared to the fiscal year ended June 30, 2017, when revenues and other financing sources decreased expenditures and other financing uses by \$(422,893).

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 \$20,567,778 for fiscal year 2018. The actual revenues were \$21,667,273 which is a favorable variance of 1,099,495. The budgeted expenditures were \$22,384,213 for the County. The actual expenditures were \$23,054,739 which is an unfavorable variance of \$(670,526) which is attributed to savings in various departments.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

Capital Assets and Debt Administration

Capital assets - The County's investment in capital assets for its governmental funds activities as of June 30, 2018 amounts to \$24,197,751 (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, land, and improvements to the GATE Center. The County's investment in capital assets for its business-type activities as of June 30, 2018 amounts to \$2,247,641 (net of accumulated depreciation). Additional information on the County of Grayson's capital assets can be found in Note 13 of this report.

Long-term debt

The outstanding debt for governmental activities at June 30, 2018 is as follows:

	(As Restated)			
	Balance			Balance
	July 1, 2017	Issuances	Retirements	June 30, 2018
General obligation bonds	\$ 14,864,703	\$ -	\$ (634,801)	\$ 14,229,902
Premium on bond	1,647,714	-	(186,321)	1,461,393
Note Payable	693,861	50,000	(693,861)	50,000
Capital lease	457,182	418,812	(290,788)	585,206
Net pension liability (ERIP)	261,500	93,300	(5,000)	349,800
Net OPEB obligation	832,709	61,947	(63,105)	831,551
Compensated absences	288,177	466,779	(216,133)	538,823
Net pension liability	6,079,894	1,973,290	(2,963,681)	5,089,503
Total	\$ 25,125,740	\$ 3,064,128	\$ (5,053,690)	\$ 23,136,178

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

	Balance			Balance
	July 1, 2017	Issuances	Retirements	June 30, 2018
Revenue and GO bonds	\$ 31,335	\$ -	\$ (4,009)	\$ 27,326
Net OPEB Liabilities	7,853	585	(595)	7,843
Net Pension Liability (VRS)	-	75,964	(27,955)	48,009
Total	\$ 39,188	\$ 76,549	\$ (32,559)	\$ 83,178

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 3.4% for fiscal year 2018. This is slightly above the state's average unemployment rate of 3.3% and slightly below the national average rate of 4.2%.

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, 2018

	Primary Government			Component
	Governmental	Business-type	Total	Unit
	Activities	Activities		School Board
ASSETS				
Cash and cash equivalents	\$ 6,525,754	\$ 98,265	\$ 6,624,019	\$ 812,307
Restricted cash and cash equivalents - customers' deposits	-	26,520	26,520	-
Investments	1,057,649	26,895	1,084,544	-
Receivables (net of allowance for uncollectibles):				
Taxes receivable	10,068,281	-	10,068,281	-
Accounts receivable	669,050	35,762	704,812	216,980
Notes receivable	83,060	-	83,060	-
Interfund balances	500	(500)	-	-
Due from primary government	-	-	-	19,780
Due from other governmental units	756,930	-	756,930	1,159,826
Prepaid items	54,754	-	54,754	107,606
Capital assets (net of accumulated depreciation):				
Land	911,038	10,648	921,686	144,690
Buildings, improvements, and systems	21,245,586	-	21,245,586	2,122,317
Machinery and equipment	1,677,072	-	1,677,072	1,141,222
Infrastructure	-	2,236,993	2,236,993	-
Construction in progress	364,055	-	364,055	-
Total assets	\$ 43,413,729	\$ 2,434,583	\$ 45,848,312	\$ 5,724,728
DEFERRED OUTFLOWS OF RESOURCES				
Pension related items	\$ 856,495	\$ 51,154	\$ 907,649	\$ 2,090,446
OPEB related items	34,274	278	34,552	340,996
Total deferred outflows of resources	\$ 890,769	\$ 51,432	\$ 942,201	\$ 2,431,442
LIABILITIES				
Accounts payable	\$ 433,055	\$ 11,957	\$ 445,012	\$ 332,912
Accrued salaries	29,983	-	29,983	804,446
Customers' deposits	-	26,520	26,520	-
Accrued interest payable	277,705	50	277,755	-
Due to component unit	19,780	-	19,780	-
Long-term liabilities:				
Due within one year	1,282,974	3,779	1,286,753	237,229
Due in more than one year	21,853,204	79,399	21,932,603	17,794,135
Total liabilities	\$ 23,896,701	\$ 121,705	\$ 24,018,406	\$ 19,168,722
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue - property taxes	\$ 8,508,122	\$ -	\$ 8,508,122	\$ -
Pension related items	412,475	7,607	420,082	3,272,281
OPEB related items	36,666	346	37,012	108,000
Total deferred inflows of resources	\$ 8,957,263	\$ 7,953	\$ 8,965,216	\$ 3,380,281
NET POSITION				
Net investment in capital assets	\$ 7,871,250	\$ 2,220,315	\$ 10,091,565	\$ 3,408,229
Restricted:				
DARE	2,178	-	2,178	-
Special Law Enforcement	122,257	-	122,257	-
Unrestricted (deficit)	3,454,849	136,042	3,590,891	(17,801,062)
Total net position	\$ 11,450,534	\$ 2,356,357	\$ 13,806,891	\$ (14,392,833)

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, 2018

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions		Governmental Activities	Primary Government Business-type Activities		Component Unit School Board
			Grants and Contributions	Capital Grants and Contributions		Activities	Total	
PRIMARY GOVERNMENT:								
Governmental activities:								
General government administration	\$ 1,458,826	\$ 24,498	\$ 220,603	\$ -	\$ (1,213,725)	\$ -	\$ (1,213,725)	\$ -
Judicial administration	1,056,799	43,008	620,312	-	(393,479)	-	(393,479)	-
Public safety	4,527,923	83,809	1,246,322	-	(3,197,792)	-	(3,197,792)	-
Public works	1,874,082	1,571,907	7,012	-	(295,163)	-	(295,163)	-
Health and welfare	3,439,152	-	2,766,479	-	(672,673)	-	(672,673)	-
Education	6,497,246	-	-	-	(6,497,246)	-	(6,497,246)	-
Parks, recreation, and cultural	518,306	59,695	-	-	(458,611)	-	(458,611)	-
Community development	1,127,597	-	282,365	-	(845,232)	-	(845,232)	-
Interest on long-term debt	452,581	-	-	-	(452,581)	-	(452,581)	-
Total governmental activities	\$ 20,952,512	\$ 1,782,917	\$ 5,143,093	\$ -	\$ (14,026,502)	\$ -	\$ (14,026,502)	\$ -
Business-type activities:								
Public Service Authority	\$ 315,932	\$ 231,129	\$ -	\$ 9,801	\$ -	\$ (75,002)	\$ (75,002)	\$ -
Total primary government	\$ 21,268,444	\$ 2,014,046	\$ 5,143,093	\$ 9,801	\$ (14,026,502)	\$ (75,002)	\$ (14,101,504)	\$ -
COMPONENT UNIT:								
School Board	\$ 18,554,093	\$ 234,450	\$ 13,797,949	\$ 5,013	\$ -	\$ -	\$ -	\$ (4,516,681)
Total component unit	\$ 18,554,093	\$ 234,450	\$ 13,797,949	\$ 5,013	\$ -	\$ -	\$ -	\$ (4,516,681)
General revenues:								
General property taxes					\$ 12,202,158	\$ -	\$ 12,202,158	\$ -
Other local taxes:								
Local sales and use taxes					456,435	-	456,435	-
Consumers' utility taxes					344,849	-	344,849	-
Motor vehicle licenses					253,160	-	253,160	-
Other local taxes					202,582	-	202,582	-
Unrestricted revenues from use of money and property					138,902	-	138,902	2,756
Miscellaneous					235,850	12,900	248,750	132,784
Payment from Grayson County					-	-	-	6,059,099
Grants and contributions not restricted to specific programs					922,019	-	922,019	-
Total general revenues					\$ 14,755,955	\$ 12,900	\$ 14,768,855	\$ 6,194,639
Change in net position					\$ 729,453	\$ (62,102)	\$ 667,351	\$ 1,677,958
Net position - beginning, as restated					10,721,081	2,418,459	13,139,540	(16,070,791)
Net position - ending					\$ 11,450,534	\$ 2,356,357	\$ 13,806,891	\$ (14,392,833)

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

County of Grayson, Virginia
Balance Sheet
Governmental Funds
June 30, 2018

	<u>General</u>	<u>Economic Development</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 6,455,834	\$ 709	\$ 6,456,543
Investments	123,926	831,885	955,811
Receivables (net of allowance for uncollectibles):			
Taxes receivable	10,068,281	-	10,068,281
Accounts receivable	669,050	-	669,050
Notes receivable	-	83,060	83,060
Due from other funds	500	-	500
Due from other governmental units	756,930	-	756,930
Prepaid items	54,754	-	54,754
Total assets	<u>\$ 18,129,275</u>	<u>\$ 915,654</u>	<u>\$ 19,044,929</u>
LIABILITIES			
Accounts payable	\$ 433,055	\$ -	\$ 433,055
Accrued liabilities	29,983	-	29,983
Due to component unit	19,780	-	19,780
Total liabilities	<u>\$ 482,818</u>	<u>\$ -</u>	<u>\$ 482,818</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - prepaid taxes	\$ 79,662	\$ -	\$ 79,662
Unavailable revenue - property taxes	9,872,117	-	9,872,117
Total deferred inflows of resources	<u>\$ 9,951,779</u>	<u>\$ -</u>	<u>\$ 9,951,779</u>
FUND BALANCES			
Nonspendable:			
Prepaid items	\$ 54,754	\$ -	\$ 54,754
Restricted:			
DARE	2,178	-	2,178
Special Law Enforcement	122,257	-	122,257
Committed:			
Law Library	3,930	-	3,930
Courthouse Security	441	-	441
Courthouse Maintenance	1,421	-	1,421
School Bus Replacement	370,407	-	370,407
Economic Development	-	915,654	915,654
Assigned:			
Reassessment	406,000	-	406,000
Contingency	886,225	-	886,225
Capital Improvement	205,384	-	205,384
Sheriff	31,043	-	31,043
Treasurer	31,043	-	31,043
Unassigned	5,579,595	-	5,579,595
Total fund balances	<u>\$ 7,694,678</u>	<u>\$ 915,654</u>	<u>\$ 8,610,332</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 18,129,275</u>	<u>\$ 915,654</u>	<u>\$ 19,044,929</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, 2018

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	8,610,332	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			
Land	\$	911,038	
Buildings and system		21,245,586	
Machinery and equipment		1,677,072	
Construction in progress		<u>364,055</u>	24,197,751
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.			
Unavailable revenue - property taxes			1,443,657
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.			171,049
Deferred outflows of resources are not available to pay for current period expenditures and, therefore, are not reported in the funds.			
Pension related items	\$	856,495	
OPEB related items		<u>34,274</u>	890,769
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	\$	(14,229,902)	
Premium on bond issuance		(1,461,393)	
Note payable		(50,000)	
Capital lease		(585,206)	
Accrued interest payable		(277,705)	
Net OPEB liabilities		(831,551)	
Compensated absences		(538,823)	
Net pension liability - ERIP		(349,800)	
Net pension liability - VRS		<u>(5,089,503)</u>	(23,413,883)
Deferred inflows of resources are not due and payable for current period and, therefore, are not reported in the funds.			
Pension related items	\$	(412,475)	
OPEB related items		<u>(36,666)</u>	(449,141)
Net position of governmental activities		<u>\$</u>	<u>11,450,534</u>

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

County of Grayson, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018

	<u>General</u>	<u>Economic Development</u>	<u>Total</u>
REVENUES			
General property taxes	\$ 11,774,326	\$ -	\$ 11,774,326
Other local taxes	1,257,026	-	1,257,026
Permits, privilege fees, and regulatory licenses	76,829	-	76,829
Fines and forfeitures	24,983	-	24,983
Revenue from the use of money and property	93,518	45,384	138,902
Charges for services	1,681,105	-	1,681,105
Miscellaneous	235,850	-	235,850
Recovered costs	458,524	-	458,524
Intergovernmental:			
Commonwealth	4,372,780	-	4,372,780
Federal	1,692,332	-	1,692,332
Total revenues	<u>\$ 21,667,273</u>	<u>\$ 45,384</u>	<u>\$ 21,712,657</u>
EXPENDITURES			
Current:			
General government administration	\$ 1,580,318	\$ -	\$ 1,580,318
Judicial administration	1,038,752	-	1,038,752
Public safety	4,517,536	-	4,517,536
Public works	1,802,003	-	1,802,003
Health and welfare	3,542,794	-	3,542,794
Education	5,915,508	-	5,915,508
Parks, recreation, and cultural	503,949	-	503,949
Community development	874,803	92,576	967,379
Capital projects	1,004,511	-	1,004,511
Debt service:			
Principal retirement	1,619,450	-	1,619,450
Interest and other fiscal charges	655,115	-	655,115
Total expenditures	<u>\$ 23,054,739</u>	<u>\$ 92,576</u>	<u>\$ 23,147,315</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,387,466)</u>	<u>\$ (47,192)</u>	<u>\$ (1,434,658)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ -	\$ 200,000	\$ 200,000
Transfers out	(200,000)	-	(200,000)
Issuance of note payable	50,000	-	50,000
Issuance of capital lease	418,812	-	418,812
Total other financing sources (uses)	<u>\$ 268,812</u>	<u>\$ 200,000</u>	<u>\$ 468,812</u>
Net change in fund balances	\$ (1,118,654)	\$ 152,808	\$ (965,846)
Fund balances - beginning	8,813,332	762,846	9,576,178
Fund balances - ending	<u>\$ 7,694,678</u>	<u>\$ 915,654</u>	<u>\$ 8,610,332</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, 2018

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

Net change in fund balances - total governmental funds \$ (965,846)

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	\$ 1,184,405	
Depreciation expense	<u>(1,138,886)</u>	45,519

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase (decrease) net position. (22,893)

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		427,832
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The issuance of long-term obligations (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term obligations and related items.

Debt issued or incurred:		
Issuance of note payable	\$ (50,000)	
Issuance of capital lease	(418,812)	
Principal repayments:		
General obligation bonds	634,801	
Note payable	693,861	
Capital lease	<u>290,788</u>	1,150,638

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	\$ (178,099)	
Change in accrued interest payable	16,213	
Amortization of bond premium	186,321	
Change in net pension liability - ERIP	(36,600)	
Pension expense	130,408	
OPEB expense	<u>(26,719)</u>	91,524

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.

2,679

Change in net position of governmental activities		<u><u>\$ 729,453</u></u>
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The notes to the financial statements are an integral part of this statement.

County of Grayson, Virginia
Statement of Net Position
Proprietary Funds
June 30, 2018

	Enterprise Fund Public Service <u>Authority</u>	Internal Service Fund
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 98,265	\$ 69,211
Restricted cash and cash equivalents - customers' deposits	26,520	-
Investments	26,895	101,838
Accounts receivables, net of allowance for uncollectibles	35,762	-
Total current assets	<u>\$ 187,442</u>	<u>\$ 171,049</u>
Capital assets:		
Land	\$ 10,648	\$ -
Machinery and equipment	32,310	-
Infrastructure	3,646,298	-
Accumulated depreciation	(1,441,615)	-
Total capital assets	<u>\$ 2,247,641</u>	<u>\$ -</u>
Total assets	<u>\$ 2,435,083</u>	<u>\$ 171,049</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension related items	\$ 51,154	\$ -
OPEB related items	278	-
Total deferred outflows of resources	<u>\$ 51,432</u>	<u>\$ -</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 11,957	\$ -
Customers' deposits	26,520	-
Accrued interest payable	50	-
Due to other funds	500	-
Bonds payable - current portion	3,779	-
Total current liabilities	<u>\$ 42,806</u>	<u>\$ -</u>
Noncurrent liabilities:		
Bonds payable - net of current portion	\$ 23,547	\$ -
Net pension liability	48,009	-
Net OPEB liabilities	7,843	-
Total noncurrent liabilities	<u>\$ 79,399</u>	<u>\$ -</u>
Total liabilities	<u>\$ 122,205</u>	<u>\$ -</u>
DEFERRED INFLOWS OF RESOURCES		
Pension related items	\$ 7,607	\$ -
OPEB related items	346	-
Total deferred inflows of resources	<u>\$ 7,953</u>	<u>\$ -</u>
NET POSITION		
Net investment in capital assets	\$ 2,220,315	\$ -
Unrestricted	136,042	171,049
Total net position	<u>\$ 2,356,357</u>	<u>\$ 171,049</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, 2018

	Enterprise Fund Public Service Authority	Internal Service Fund
OPERATING REVENUES		
Charges for services:		
Water revenues	\$ 231,129	\$ -
Insurance premiums	-	35,328
Miscellaneous	12,900	-
Total operating revenues	<u>\$ 244,029</u>	<u>\$ 35,328</u>
OPERATING EXPENSES		
Salaries and wages	\$ 76,406	\$ -
Employee benefits	23,891	-
Utilities	6,596	-
Professional services	14,129	-
Purchase of water	60,844	-
Materials and supplies	29,982	-
Travel	4,458	-
Maintenance services	2,721	-
Insurance claims and expenses	-	32,649
Miscellaneous	2,774	-
Depreciation	93,239	-
Total operating expenses	<u>\$ 315,040</u>	<u>\$ 32,649</u>
Operating income (loss)	<u>\$ (71,011)</u>	<u>\$ 2,679</u>
NONOPERATING REVENUES (EXPENSES)		
Interest expense	<u>\$ (892)</u>	<u>\$ -</u>
Income before capital contributions and grants	<u>\$ (71,903)</u>	<u>\$ 2,679</u>
Capital contributions and grants	<u>\$ 9,801</u>	<u>\$ -</u>
Change in net position	<u>\$ (62,102)</u>	<u>\$ 2,679</u>
Total net position - beginning, as restated	2,418,459	168,370
Total net position - ending	<u><u>\$ 2,356,357</u></u>	<u><u>\$ 171,049</u></u>

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

County of Grayson, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2018

	Enterprise Fund Public Service Authority	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 246,923	\$ -
Receipts for insurance premiums	-	35,328
Payments to suppliers	(129,829)	-
Payments to and for employees	(95,537)	-
Payments for insurance premiums	-	(32,649)
Net cash provided by (used for) operating activities	<u>\$ 21,557</u>	<u>\$ 2,679</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal payments on bonds	\$ (4,009)	\$ -
Contributions in aid of construction	9,801	-
Interest payments	(908)	-
Net cash provided by (used for) capital and related financing activities	<u>\$ 4,884</u>	<u>\$ -</u>
Net increase (decrease) in cash and cash equivalents	\$ 26,441	\$ 2,679
Cash and cash equivalents - beginning (includes investments of \$117,403 and restricted cash and cash equivalents of \$23,998)	125,239	168,370
Cash and cash equivalents - ending (includes investments of \$128,733 and restricted cash and cash equivalents of \$26,520)	<u>\$ 151,680</u>	<u>\$ 171,049</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ (71,011)	\$ 2,679
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:		
Depreciation	\$ 93,239	\$ -
(Increase) decrease in accounts receivable	372	-
Increase (decrease) in accounts payable	(8,325)	-
Increase (decrease) in customer deposits	2,522	-
Increase (decrease) in net pension liability	48,009	-
Increase (decrease) in net OPEB liabilities	(10)	-
Increase (decrease) in deferred inflows	7,953	-
(Increase) decrease in deferred outflows	(51,192)	-
Total adjustments	<u>\$ 92,568</u>	<u>\$ -</u>
Net cash provided by (used for) operating activities	<u>\$ 21,557</u>	<u>\$ 2,679</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, 2018

	Employee Early Retirement Incentive <u>Plan Trust</u>	Agency <u>Funds</u>
ASSETS		
Cash and cash equivalents	\$ -	\$ 325,918
Investments	54,437	50,558
Total assets	<u>\$ 54,437</u>	<u>\$ 376,476</u>
LIABILITIES		
Amounts held for social services clients	\$ -	\$ 6,294
Amounts held for Mt. Rogers Alcohol Safety Action Program	-	173,283
Amounts held for Grayson Regional Library	-	196,899
Total liabilities	<u>\$ -</u>	<u>\$ 376,476</u>
NET POSITION		
Held in trust for retirement plan	<u>\$ 54,437</u>	

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

County of Grayson, Virginia
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2018

	Employee Early Retirement Incentive <u>Plan Trust</u>
ADDITIONS	
Investment earnings:	
Interest	\$ 2,027
Net decrease in the fair market value of investments	(1,346)
Total investment earnings	<u>\$ 681</u>
Total additions	<u>\$ 681</u>
DEDUCTIONS	
Benefits	\$ 4,414
Administrative expenses	2,020
Total deductions	<u>\$ 6,434</u>
Change in net position	\$ (5,753)
Net position - beginning	60,190
Net position - ending	<u><u>\$ 54,437</u></u>

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

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2018, the County contributed \$40,000.
2. The County, along with the County of Wythe, participates in supporting the Wythe/Grayson Regional Library. For the fiscal year ended June 30, 2018, the County contributed \$277,923.
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, 2018.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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, 2018, the County contributed \$115,453.
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, 2018, 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, 2018, the County contributed \$53,560.
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, 2018

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 uncollectible amounts. Property taxes not collected within 60 days after year-end are reflected as unavailable revenues.

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

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

The County reports the following major governmental funds:

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

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, ASAP, and Regional Library funds. The County also operates a trust fund for the Employee Early Retirement Incentive Program.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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, 2018

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 June 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 \$205,903 at June 30, 2018 and is comprised \$203,393 of property taxes and \$2,510 of water billings.

5. Use of Estimates

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

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, 2018.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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 has one item that qualifies for reporting in this category. It is comprised of certain items related to the measurement of the net pension and net OPEB liabilities and contributions to the pension and OPEB plans made during the current year and subsequent to the net pension liability and net OPEB liabilities measurement date. For more detailed information on these items, reference the related notes.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

10. Other Postemployment Benefits (OPEB)

Group Life Insurance

The Virginia Retirement System (VRS) Group Life Insurance (GLI) Program provides coverage to state employees, teachers, and employees of participating political subdivisions. The GLI Program was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The GLI Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net GLI Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI OPEB, and GLI OPEB expense, information about the fiduciary net position of the VRS GLI Program OPEB and the additions to/deductions from the VRS GLI OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

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

10. Other Postemployment Benefits (OPEB) (Continued)

Teacher Employee Health Insurance Credit Program

The Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit (HIC) Program was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The Teacher HIC Program is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired teachers. For purposes of measuring the net Teacher HIC OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Teacher HIC OPEB, and the related HIC OPEB expense, information about the fiduciary net position of the VRS Teacher Employee HIC Program; and the additions to/deductions from the VRS Teacher Employee HIC Program's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

11. Long-term obligations

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

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

12. Fund 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 year-end and classified fund balance into the following five classifications to describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

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

12. Fund equity (Continued)

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.

13. Net Position

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

14. Net Position Flow Assumption

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 2-Stewardship, Compliance, and Accountability:

A. Budgetary information

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

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

B. Excess of expenditures over appropriations

For fiscal year ended June 30, 2018, the Social Services, Nondepartmental, and contribution to the School Board had expenditures in excess of appropriations.

C. Deficit fund equity

At June 30, 2018, there were no funds with deficit fund equity.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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.

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).

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County's investments at June 30, 2018 were held in the County's name by the County's custodial bank.

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

The County's rated debt investments as of June 30, 2018 were rated by Standard and Poor's and/or an equivalent national rating organization and the ratings are presented below using the Standard and Poor's rating scale.

County's Rated Debt Investments' Values

Rated Debt Investments	Fair Quality Ratings		
	AAAm	Unrated	Total
Local Government Investment Pool (LGIP)	\$ 1,135,102	\$ -	\$ 1,135,102
Exchange Traded Funds (ETF)	-	54,437	54,437
Total	<u>\$ 1,135,102</u>	<u>\$ 54,437</u>	<u>\$ 1,189,539</u>

Concentration of Credit Risk: At June 30, 2018, 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)	\$ 1,135,102	\$ 1,135,102
Exchange Traded Funds (ETF)	54,437	54,437
Total	<u>\$ 1,189,539</u>	<u>\$ 1,189,539</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018Note 3-Deposits and Investments: (Continued)

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.

Note 4-Fair Value Measurements:

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

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

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

The County has the following recurring fair value measurements as of June 30, 2018:

Investment	6/30/2018	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Exchange Traded Funds (ETF)	\$ 54,437	\$ 54,437	\$ -	\$ -
Total	\$ 54,437	\$ 54,437	\$ -	\$ -

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 5-Due from Other Governmental Units:

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

	Primary Government Governmental Activities	Component Unit- School Board
<u>Commonwealth of Virginia:</u>		
Local sales tax	\$ 82,045	\$ -
Communications tax	55,890	-
State sales tax	-	268,780
Categorical aid	165,050	256,279
Noncategorical aid	7,992	-
Virginia public assistance funds	70,340	-
Children's services act	176,935	-
<u>Federal Government:</u>		
Virginia public assistance funds	104,669	-
Categorical aid	94,009	634,767
Totals	\$ <u>756,930</u>	\$ <u>1,159,826</u>

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COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

The following amounts represent interfund obligations at year end:

<u>Fund</u>	<u>(Due to)/ Due from Funds</u>	<u>Due to Primary Government/ Comp. Unit</u>	<u>Due from Primary Government/ Comp. Unit</u>
Primary Government:			
General Fund	\$ 500	\$ 19,780	\$ -
Water Fund	(500)	-	-
Total Primary Government	<u>\$ -</u>	<u>\$ 19,780</u>	<u>\$ -</u>
Component Unit - School Board:			
School Operating Fund		<u>\$ -</u>	<u>\$ 19,780</u>

Interfund transfers for the fiscal year ended June 30, 2018 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ -	\$ 200,000
Economic Development Fund	200,000	-
Total	<u>\$ 200,000</u>	<u>\$ 200,000</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.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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, 2018:

	(As Restated) Balance July 1, 2017	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2018
General obligation bonds	\$ 14,864,703	\$ -	\$ (634,801)	\$ 14,229,902
Premium on bond	1,647,714	-	(186,321)	1,461,393
Note payable	693,861	50,000	(693,861)	50,000
Capital lease	457,182	418,812	(290,788)	585,206
Net pension liability (ERIP)	261,500	95,100	(6,800)	349,800
Net OPEB liabilities	832,709	61,947	(63,105)	831,551
Compensated absences	360,724	448,642	(270,543)	538,823
Net pension liability (VRS)	6,079,894	1,973,290	(2,963,681)	5,089,503
Total	<u>\$ 25,198,287</u>	<u>\$ 3,047,791</u>	<u>\$ (5,109,900)</u>	<u>\$ 23,136,178</u>

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

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
2019	\$ 660,591	\$ 604,517	\$ 4,252	\$ 1,542
2020	691,422	573,238	4,482	1,311
2021	722,297	537,500	4,619	1,175
2022	753,218	500,202	4,759	1,034
2023	789,187	461,215	4,904	890
2024-2028	4,373,187	1,665,483	26,984	2,118
2029-2033	5,105,000	662,299	-	-
2034	1,135,000	20,146	-	-
Totals	<u>\$ 14,229,902</u>	<u>\$ 5,024,600</u>	<u>\$ 50,000</u>	<u>\$ 8,070</u>

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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	\$ 269,902	\$ 30,591
General Obligation Bond	5.10%	11/10/05	2025	995,000	395,000	50,000
General Obligation Bond	3.05%-5.05%	05/09/13	2034	15,670,000	13,565,000	580,000
Subtotal					<u>\$ 14,229,902</u>	<u>\$ 660,591</u>
Premium on Bond				87,862	35,146	4,393
Premium on Bond				2,157,388	1,426,247	179,105
Total General Obligation Bonds					<u>\$ 15,691,295</u>	<u>\$ 844,089</u>
<u>Notes Payable:</u>						
Note Payable	3.000%	05/17/18	2028	\$ 50,000	\$ 50,000	\$ 4,252
<u>Other Obligations:</u>						
Capital lease					\$ 585,206	\$ 30,516
Net OPEB Liabilities					831,551	-
Net Pension Liability (ERIP)					349,800	-
Compensated Absences					538,823	404,117
Net Pension Liability (VRS)					5,089,503	-
Total Other Obligations					<u>\$ 7,394,883</u>	<u>\$ 434,633</u>
Total Long-term Obligations					<u>\$ 23,136,178</u>	<u>\$ 1,282,974</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, 2018:

	(As Restated) Balance July 1, 2017	Issuances	Retirements	Balance June 30, 2018
Revenue Bonds	\$ 31,335	\$ -	\$ (4,009)	\$ 27,326
Net OPEB Liabilities	7,853	585	(595)	7,843
Net Pension Liability (VRS)	-	75,964	(27,955)	48,009
Total	<u>\$ 39,188</u>	<u>\$ 76,549</u>	<u>\$ (32,559)</u>	<u>\$ 83,178</u>

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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
2019	\$ 3,779	\$ 1,138
2020	3,942	975
2021	4,113	804
2022	4,291	625
2023	4,478	439
2024-2025	6,723	297
Totals	<u>\$ 27,326</u>	<u>\$ 4,278</u>

Details of long-term indebtedness:

	Interest Rates	Date Issued	Maturity Date	Original Issue	Business-Type Activities	Due Within One Year
<u>Revenue Bonds:</u>						
Water Revenue Bonds	4.25%	02/05/15	2025	\$ 40,000	\$ 27,326	\$ 3,779
<u>Other Obligations:</u>						
Net OPEB Liabilities					\$ 7,843	\$ -
Net Pension Liability (VRS)					48,009	-
Total Other Obligations					<u>\$ 55,852</u>	<u>\$ -</u>
Total Long-term Obligations					<u>\$ 83,178</u>	<u>\$ 3,779</u>

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, 2018:

	(As Restated) Balance July 1, 2017	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2018
Net OPEB liabilities	\$ 3,725,100	\$ 284,700	\$ (386,900)	\$ 3,622,900
Early retirement incentive plan	158,804	-	(88,214)	70,590
Compensated absences	308,678	239,136	(231,509)	316,305
Net pension liability	15,969,539	4,234,089	(6,182,059)	14,021,569
Total	<u>\$ 20,162,121</u>	<u>\$ 4,757,925</u>	<u>\$ (6,888,682)</u>	<u>\$ 18,031,364</u>

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 7-Long-Term Obligations: (Continued)

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

Details of long-term obligations:

	Total Amount	Amount Due Within One Year
<u>Other Obligations:</u>		
Net OPEB liabilities	\$ 3,622,900	\$ -
Early retirement incentive plan	70,590	-
Compensated absences	316,305	237,229
Net pension liability	14,021,569	-
Total Long-term Obligations	<u>\$ 18,031,364</u>	<u>\$ 237,229</u>

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COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 8-Capital Leases:

Primary Government:

The County has entered into lease agreements to finance the acquisition of high school field lights, school buses, and a school network refresh. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of minimum lease payments at the date of inception.

The assets acquired through capital leases are as follows:

Schools Network Refresh	\$	332,565
High School Field Lights		152,819
School Buses		418,812
Less: Accumulated depreciation		<u>(95,602)</u>
Net capital assets	\$	<u>808,594</u>

The future minimum lease obligation and the net present value of the minimum lease payments as of June 30, 2018, are as follows:

Year Ending June 30,	Capital Leases
2019	\$ 34,348
2020	170,780
2021	170,780
2022	136,431
2023	47,509
2024	<u>47,509</u>
Sub-total	\$ 607,357
Less:	
Amount representing interest	<u>(22,151)</u>
Present Value of Lease Agreements	<u>\$ 585,206</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 9-Pension Plan:

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

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.</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.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.</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. 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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.)	About the Hybrid Retirement Plan (Cont.) <ul style="list-style-type: none"> 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, and they have not taken a refund.</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>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 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>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 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. <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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018Note 9-Pension Plan: (Continued)*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Hybrid Opt-In Election (Cont.) 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.) 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 (Cont.) 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. 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.</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, 2018

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.</p> <p>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 Contribution 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, 2018

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.</p> <p>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.</p> <p>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 Contribution 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> <p>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>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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 Contribution Component:</u> (Cont.)</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>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 See definition under Plan 1.</p>	<p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1.</p> <p><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>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 9-Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<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>
<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>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018Note 9-Pension Plan: (Continued)*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Normal Retirement Age (Cont.)	Normal Retirement Age (Cont.)	Normal Retirement Age (Cont.) <u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.
<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>Political subdivisions hazardous duty employees: 50 with at least five 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>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Reduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Age 60 with at least five years (60 months) of creditable service.</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>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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 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><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. 	<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><u>Exceptions to COLA Effective Dates:</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> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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> (Cont.)</p> <ul style="list-style-type: none"> • 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>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p>

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 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>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>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. 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. <p><u>Defined Contribution Component:</u> Not applicable.</p>

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 9-Pension Plan: (Continued)

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. 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 employer contribution rate for the year ended June 30, 2018 was 15.69% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

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 \$677,569 and \$648,735 for the years ended June 30, 2018 and June 30, 2017, respectively.

Net Pension Liability

At June 30, 2018, the County reported a liability of \$5,137,512 for its proportionate share of the net pension liability. The County's net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017. 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, 2017 and 2016 was used as a basis for allocation to determine the County's proportionate share of the net pension liability. At June 30, 2017 and 2016, the County's proportion was 97.40% and 96.31%, respectively.

Actuarial Assumptions - General Employees

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, 2016, 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, 2017.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 9-Pension Plan: (Continued)

Actuarial Assumptions - General Employees (Continued)

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 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:

Largest 10 - Non-Hazardous Duty: 20% of deaths are assumed to be service related

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018Note 9-Pension Plan: (Continued)*Actuarial Assumptions - General Employees (Continued)*

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the Grayson County's Retirement Plan was based on an actuarial valuation as of June 30, 2016, 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, 2017.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 9-Pension Plan: (Continued)

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

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 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:

Largest 10 - Hazardous Duty: 70% of deaths are assumed to be service related

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 9-Pension Plan: (Continued)

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

All Others (Non 10 Largest) - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018Note 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
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018Note 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, 2019, 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, 2019 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)	\$ 7,800,098	\$ 5,137,512	\$ 2,907,171

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

For the year ended June 30, 2018, the County recognized pension expense of \$551,084. 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.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 9-Pension Plan: (Continued)

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

At June 30, 2018, 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	\$ 57,269	\$ 156,361
Change in assumptions	-	3,971
Net difference between projected and actual earnings on pension plan investments	-	254,450
Changes in proportion and differences between employer contributions and proportionate share of contributions	111,811	-
Employer contributions subsequent to the measurement date	677,569	-
Total	<u>\$ 846,649</u>	<u>\$ 414,782</u>

\$677,569 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	Primary Government
2019	\$ (151,763)
2020	47,000
2021	8,743
2022	(149,682)
Thereafter	-

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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, 2016 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Component Unit School Board Nonprofessional
Inactive members or their beneficiaries currently receiving benefits	44
Inactive members:	
Vested inactive members	10
Non-vested inactive members	10
Inactive members active elsewhere in VRS	16
Total inactive members	36
Active members	60
Total covered employees	140

Contributions

The Component Unit School Board's contractually required employer contribution rate for nonprofessional employees for the year ended June 30, 2018 was 6.83% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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 \$63,092 and \$70,121 for the years ended June 30, 2018 and June 30, 2017, respectively.

Net Pension Liability

The Component Unit School Board's (nonprofessional) net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

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, 2016	\$ 5,648,158	\$ 5,094,619	\$ 553,539
Changes for the year:			
Service cost	\$ 108,624	\$ -	\$ 108,624
Interest	385,307	-	385,307
Changes in assumptions	(40,388)	-	(40,388)
Differences between expected and actual experience	(194,674)	-	(194,674)
Contributions - employer	-	70,121	(70,121)
Contributions - employee	-	51,220	(51,220)
Net investment income	-	611,656	(611,656)
Benefit payments, including refunds of employee contributions	(287,538)	(287,538)	-
Administrative expenses	-	(3,617)	3,617
Other changes	-	(541)	541
Net changes	\$ (28,669)	\$ 441,301	\$ (469,970)
Balances at June 30, 2017	\$ 5,619,489	\$ 5,535,920	\$ 83,569

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018Note 9-Pension Plan: (Continued)Component Unit School Board (nonprofessional) (Continued)*Sensitivity of the Net Pension Liability/(Asset) 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)	\$ 727,286	\$ 83,569	\$ (463,156)

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

For the year ended June 30, 2018, the Component Unit School Board (nonprofessional) recognized pension expense of \$(83,543). At June 30, 2018, 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	\$ -	\$ 141,683
Change in assumptions	-	23,970
Net difference between projected and actual earnings on pension plan investments	-	75,628
Employer contributions subsequent to the measurement date	63,092	-
Total	\$ 63,092	\$ 241,281

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 9-Pension Plan: (Continued)

Component Unit School Board (nonprofessional) (Continued)

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

\$63,092 reported as deferred outflows of resources related to pensions resulting from the Component Unit School Board's (nonprofessional) contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2019. 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>
2019	\$ (169,632)
2020	(20,409)
2021	959
2022	(52,199)
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

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 provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each school division's contractually required employer contribution rate for the year ended June 30, 2018 was 16.32% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and reflects the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School Board were \$1,442,354 and \$1,295,037 for the years ended June 30, 2018 and June 30, 2017, respectively.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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, 2018, the school division reported a liability of \$13,938,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2017 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, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the school division's proportion was 0.11334% as compared to 0.11000% at June 30, 2016.

For the year ended June 30, 2018, the school division recognized pension expense of \$659,000. 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, 2018, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 987,000
Net difference between projected and actual earnings on pension plan investments	-	506,000
Change in assumptions	203,000	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	382,000	1,538,000
Employer contributions subsequent to the measurement date	<u>1,442,354</u>	<u>-</u>
Total	<u>\$ 2,027,354</u>	<u>\$ 3,031,000</u>

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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)

\$1,442,354 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 ending June 30, 2019. 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>	
2019	\$ (917,000)
2020	(405,000)
2021	(545,000)
2022	(574,000)
Thereafter	(5,000)

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2016, 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, 2017.

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

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 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, 2018

Note 9-Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Actuarial Assumptions (Continued)

Mortality rates:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

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COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 9-Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2017, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

		Teacher Employee Retirement Plan
Total Pension Liability	\$	45,417,520
Plan Fiduciary Net Position		33,119,545
Employer's Net Pension Liability (Asset)	\$	12,297,975
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		72.92%

The total pension liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net pension liability is disclosed in accordance with the requirements of GASB Statement No. 67 in the System's notes to the financial statements and required supplementary information.

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)	\$ 20,815,000	\$ 13,938,000	\$ 8,250,000

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 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 10- Health Insurance - Pay-as-you-Go (OPEB Plan):

Primary Government - County

Plan Description

In addition to the pension benefits described in Note 9, the County administers a cost-sharing employer defined benefit healthcare plan, Grayson County Postemployment Healthcare Plan (The "Plan"). Several entities participate in the defined benefit healthcare plan through the County of Grayson, Virginia and the participating entities report their proportionate information on the basis of a cost-sharing plan. The plan provides postemployment healthcare benefits to all eligible permanent employees who meet the requirements under the County's pension plans. The plan does not issue a publicly available financial report.

Benefits Provided

The Plan provides health insurance benefits to eligible retirees and their spouses. To be eligible, employees must meet the age and service criteria for immediate retirement benefits under VRS, which requires that the employee be age 50 with 10 years of service, or be age 55 with 5 years of service, or permanently, totally disabled and injured in the line of duty. Additionally, the employee must be of full-time status in VRS and must be covered by the active plan at the time of retirement or disability.

Contributions

The County does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the County. The amount paid by the County for OPEB as the benefits came due during the year ended June 30, 2018 was \$4,284.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 10-Health Insurance - Pay-as-you-Go (OPEB Plan): (Continued)

Primary Government - County (Continued)

Actuarial Assumptions

The total OPEB liability was measured July 1, 2017, based on the July 1, 2016 actuarial valuation, and was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate:	3.56%
Salary Scale:	Future salaries are assumed to increase 2.50% annually
Healthcare Cost Trend Rates:	6.35% for fiscal year 2017, 7.50% for fiscal year 2018, decreasing 0.50% per year to an ultimate rate of 5.00%
Actuarial Cost Method:	Entry Age Actuarial Cost Method
Participation:	45% of active employees are assumed to elect coverage in retirement; 33% of their spouses are assumed to elect coverage in retirement; 100% of actives who become disabled are assumed to elect coverage

Mortality rates for Active employees and healthy retirees were based on a RP-2014 Mortality Table fully generational with base year 2006, projected using two-dimensional mortality improvement scale MP-2017.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.56% and represents the Municipal GO AA 20-year yield curve rate as of June 30, 2017.

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

The following amounts present the total OPEB liability of the County, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.56%) or one percentage point higher (4.56%) than the current discount rate:

1% Decrease 2.56%	Current Discount Rate 3.56%	1% Increase 4.56%
\$ 553,037	\$ 503,363	\$ 458,656

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 10-Health Insurance - Pay-as-you-Go (OPEB Plan): (Continued)

Primary Government - County (Continued)

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

The following amounts present the total OPEB liability of the County, as well as what the total OPEB liability would be if it were calculated using healthcare trend rates that are one percentage point lower (5.35% decreasing by 0.50% annually to an ultimate rate of 4.00%) or one percentage point higher (7.35% decreasing by 0.50% annually to an ultimate rate of 6.00%) than the current healthcare trend rates:

Healthcare Cost Trend Rates		
1% Decrease (5.35% decreasing to 4.00%)	Current (6.35% decreasing to 5.00%)	1% Increase (7.35% decreasing to 6.00%)
\$ 441,027	\$ 503,363	\$ 577,484

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

At June 30, 2018, the County reported a liability of \$503,363 for its proportionate share of the total OPEB Liability. The total OPEB Liability was measured as of July 1, 2017 and determined by an actuarial valuation as of July 1, 2016 and rolled forward to that date. At June 30, 2018 and 2017, the County's proportion was 97.37% and 97.40%, respectively.

For the year ended June 30, 2018, the County recognized OPEB expense in the amount of \$48,895.

At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions after measurement date	\$ 4,284	\$ -
Total	\$ 4,284	\$ -

\$4,284 reported as deferred outflows of resources related to OPEB resulting from the County's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ended June 30, 2019.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 10-Health Insurance - Pay-as-you-Go (OPEB Plan): (Continued)

Discretely Presented Component Unit - School Board

Plan Description

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

Benefits Provided

The Plan provides health insurance benefits to eligible retirees and their spouses. To be eligible, employees must meet the age and service criteria for immediate retirement benefits under VRS, which requires that the employee be age 50 with 10 years of service, or be age 55 with 5 years of service, or permanently, totally disabled and injured in the line of duty. Additionally, the employee must be of full-time status in VRS and must be covered by the active plan at the time of retirement or disability.

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

Plan Membership

At July 1, 2016 (valuation date), the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	19
Inactive employees entitled to but not yet receiving benefits	-
Active employees	<u>265</u>
Total	284

Contributions

The School Board does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the Board. The amount paid by the School Board for OPEB as the benefits came due during the year ended June 30, 2018 was \$127,900.

Total OPEB Liability

The School Board's total OPEB liability was measured as of July 1, 2017. The measurement of the total OPEB liability is based on a valuation date of July 1, 2016.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018Note 10-Health Insurance - Pay-as-you-Go (OPEB Plan): (Continued)Discretely Presented Component Unit - School Board (Continued)*Actuarial Assumptions*

The total OPEB liability was measured July 1, 2017, based on the July 1, 2016 actuarial valuation, was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate:	3.56%
Salary Scale:	Future salaries are assumed to increase 2.50% annually
Healthcare Cost Trend Rates:	0.00% for fiscal year 2017, 7.50% for fiscal year 2018, decreasing 0.50% per year to an ultimate rate of 5.00%
Actuarial Cost Method:	Entry Age Actuarial Cost Method
Participation:	40% of active employees are assumed to elect coverage in retirement; 20% of their spouses are assumed to elect coverage in retirement; 100% of actives who become disabled are assumed to elect coverage

Mortality rates for Active employees and healthy retirees were based on a RP-2014 Mortality Table fully generational with base year 2006, projected using two-dimensional mortality improvement scale MP-2017.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.56% and represents the Municipal GO AA 20-year yield curve rate as of June 30, 2017.

Changes in Total OPEB Liability

	<u>Total OPEB Liability</u>
Balances at July 1, 2017	\$ 1,406,100
Changes for the year:	
Service cost	51,100
Interest	49,600
Contributions - employer	(127,900)
Net changes	\$ (27,200)
Balances at June 30, 2018	\$ <u>1,378,900</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 10-Health Insurance - Pay-as-you-Go (OPEB Plan): (Continued)

Discretely Presented Component Unit - School Board (Continued)

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

The following amounts present the total OPEB liability of the School Board, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.56%) or one percentage point higher (4.56%) than the current discount rate:

1% Decrease 2.56%	Current Discount Rate 3.56%	1% Increase 4.56%
\$ 1,484,500	\$ 1,378,900	\$ 1,282,000

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

The following amounts present the total OPEB liability of the School Board, as well as what the total OPEB liability would be if it were calculated using healthcare trend rates that are one percentage point lower (-1.00% increasing to 6.50% for 2018 and then decreasing by 0.50% annually to an ultimate rate of 4.00%) or one percentage point higher (1.00% increasing to 8.50% for 2018 and then decreasing by 0.50% annually to an ultimate rate of 6.00%) than the current healthcare trend rates:

Healthcare Cost Trend Rates		
1% Decrease (-1.00%)	Current (0.00%)	1% Increase (1.00%)
\$ 1,244,400	\$ 1,378,900	\$ 1,537,000

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COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 10-Health Insurance - Pay-as-you-Go (OPEB Plan): (Continued)

Discretely Presented Component Unit - School Board (Continued)

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

For the year ended June 30, 2018, the School Board recognized OPEB expense in the amount of \$100,700. At June 30, 2018, the School Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions after measurement date	\$ 127,900	\$ -
Total	\$ 127,900	\$ -

\$127,900 reported as deferred outflows of resources related to OPEB resulting from the School Board's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ended June 30, 2019.

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

Note 11-Group Life Insurance (GLI) Program (OPEB Plan):

Plan Description

All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance Program upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 11-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Plan Description (Continued)

The specific information for Group Life Insurance Program OPEB, including eligibility, coverage and benefits is set out in the table below:

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS
<p>Eligible Employees</p> <p>The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:</p> <ul style="list-style-type: none"> • City of Richmond • City of Portsmouth • City of Roanoke • City of Norfolk • Roanoke City School Board <p>Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.</p>
<p>Benefit Amounts</p> <p>The benefits payable under the Group Life Insurance Program have several components.</p> <ul style="list-style-type: none"> • <u>Natural Death Benefit</u> - The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. • <u>Accidental Death Benefit</u> - The accidental death benefit is double the natural death benefit. • <u>Other Benefit Provisions</u> - In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include: <ul style="list-style-type: none"> ○ Accidental dismemberment benefit ○ Safety belt benefit ○ Repatriation benefit ○ Felonious assault benefit ○ Accelerated death benefit option
<p>Reduction in Benefit Amounts</p> <p>The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.</p>

Note 11-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Plan Description (Continued)

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS (CONTINUED)
<p>Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)</p> <p>For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute. The amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently \$8,111.</p>

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability.

Contributions to the Group Life Insurance Program from the County were \$22,476 and \$21,439 for the years ended June 30, 2018 and June 30, 2017, respectively.

Contributions to the Group Life Insurance Program from the Component Unit-School Board (non-professional) were \$4,985 and \$5,518 for the years ended June 30, 2018 and June 30, 2017, respectively.

Contributions to the Group Life Insurance Program from the Component Unit-School Board (professional) were \$46,684 and \$46,294 for the years ended June 30, 2018 and June 30, 2017, respectively.

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB

At June 30, 2018, the County reported a liability of \$336,031 for its proportionate share of the Net GLI OPEB Liability.

At June 30, 2018, the Component Unit-School Board (nonprofessional) reported a liability of \$86,000 for its proportionate share of the Net GLI OPEB Liability.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 11-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB (Continued)

At June 30, 2018, the Component Unit-School Board (professional) reported a liability of \$726,000 for its proportionate share of the Net GLI OPEB Liability.

The Net GLI OPEB Liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers.

At June 30, 2017, the County's proportion was 0.022353% as compared to 0.021798% at June 30, 2016.

At June 30, 2017, the Component Unit-School Board (nonprofessional) proportion was 0.00575% as compared to 0.00589% at June 30, 2016.

At June 30, 2017, the Component Unit-School Board (professional) proportion was 0.04826% as compared to 0.04685% at June 30, 2016.

For the year ended June 30, 2018, the County recognized GLI OPEB expense of \$5,844. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

For the year ended June 30, 2018, the Component-Unit School Board (nonprofessional) recognized GLI OPEB expense of \$(1,000). Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

For the year ended June 30, 2018, the Component-Unit School Board (professional) recognized GLI OPEB expense of \$12,000. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 11-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB (Continued)

At June 30, 2018, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Primary Government		Component-Unit School Board (Nonprofessional)		Component-Unit School Board (Professional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 6,818	\$ -	\$ 3,000	\$ -	\$ 17,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	12,662	-	3,000	-	27,000
Change in assumptions	-	17,532	-	4,000	-	37,000
Changes in proportion	7,792	-	-	-	21,000	-
Employer contributions subsequent to the measurement date	22,476	-	4,985	-	46,684	-
Total	<u>\$ 30,268</u>	<u>\$ 37,012</u>	<u>\$ 4,985</u>	<u>\$ 10,000</u>	<u>\$ 67,684</u>	<u>\$ 81,000</u>

\$22,476, \$4,985, and \$46,684 reported as deferred outflows of resources related to the GLI OPEB resulting from the County's, Component-Unit School Board (Nonprofessional), and Component-Unit School Board (Professional), respectively, contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30	Primary Government	Component Unit- School Board (Nonprofessional)	Component Unit- School Board (Professional)
2019	\$ (5,844)	\$ (2,000)	\$ (13,000)
2020	(5,844)	(2,000)	(13,000)
2021	(5,844)	(2,000)	(13,000)
2022	(5,844)	(2,000)	(13,000)
2023	(4,871)	(1,000)	(6,000)
Thereafter	(973)	(1,000)	(2,000)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 11-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2016, 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, 2017.

Inflation	2.5%
Salary increases, including inflation:	
General state employees	3.5%-5.35%
Teachers	3.5%-5.95%
SPORS employees	3.5%-4.75%
VaLORS employees	3.5%-4.75%
JRS employees	4.5%
Locality - General employees	3.5%-5.35%
Locality - Hazardous Duty employees	3.5%-4.75%
Investment rate of return	7.0%, net of investment expenses, including inflation*

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 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 OPEB liabilities.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 11-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - General State Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 11-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Teachers

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 11-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - SPORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 11-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - VaLORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 11-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - JRS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% compounding increase from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 11-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Largest Ten Locality Employers - General Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 11-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 11-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 11-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 11-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

NET GLI OPEB Liability

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the Group Life Insurance Program is as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program
Total GLI OPEB Liability	\$ 2,942,426
Plan Fiduciary Net Position	1,437,586
Employers' Net GLI OPEB Liability (Asset)	\$ 1,504,840
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	48.86%

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018Note 11-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)*Long-Term Expected Rate of Return*

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

*The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018Note 11-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)*Sensitivity of the Employer's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate*

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
County's proportionate share of the Group Life Insurance Program			
Net OPEB Liability	\$ 435,378	\$ 336,031	\$ 256,162
Component Unit-School Board (Nonprofessional) proportionate share of the Group Life Insurance Program			
Net OPEB Liability	\$ 112,000	\$ 86,000	\$ 66,000
Component Unit-School Board (Professional) proportionate share of the Group Life Insurance Program			
Net OPEB Liability	\$ 939,000	\$ 726,000	\$ 553,000

Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 12-Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan):

Plan Description

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

The specific information for the Teacher Health Insurance Credit Program OPEB, including eligibility, coverage, and benefits is set out in the table below:

TEACHER EMPLOYEE HEALTH INSURANCE CREDIT PROGRAM PLAN PROVISIONS
<p>Eligible Employees</p> <p>The Teacher Employee Retiree Health Insurance Credit Program was established July 1, 1993 for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit.</p> <p>Eligible employees are enrolled automatically upon employment. They include:</p> <ul style="list-style-type: none"> • Full-time permanent (professional) salaried employees of public school divisions covered under VRS.
<p>Benefit Amounts</p> <p>The Teacher Employee Retiree Health Insurance Credit Program provides the following benefits for eligible employees:</p> <ul style="list-style-type: none"> • <u>At Retirement</u> - For Teacher and other professional school employees who retire, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount. • <u>Disability Retirement</u> - For Teacher and other professional school employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is either: <ul style="list-style-type: none"> ○ \$4.00 per month, multiplied by twice the amount of service credit, or ○ \$4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.
<p>Health Insurance Credit Program Notes:</p> <ul style="list-style-type: none"> • The monthly Health Insurance Credit benefit cannot exceed the individual premium amount. • Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the health insurance credit as a retiree.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 12-Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

Contributions

The contribution requirements for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2018 was 1.23% of covered employee compensation for employees in the VRS Teacher Employee Health Insurance Credit Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the school division to the VRS Teacher Employee Health Insurance Credit Program were \$110,427 and \$98,819 for the years ended June 30, 2018 and June 30, 2017, respectively.

Teacher Employee Health Insurance Credit Program OPEB Liabilities, Teacher Employee Health Insurance Credit Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee Health Insurance Credit Program OPEB

At June 30, 2018, the school division reported a liability of \$1,432,000 for its proportionate share of the VRS Teacher Employee Health Insurance Credit Program Net OPEB Liability. The Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was measured as of June 30, 2017 and the total VRS Teacher Employee Health Insurance Credit Program OPEB liability used to calculate the Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee Health Insurance Credit Program OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the school division's proportion of the VRS Teacher Employee Health Insurance Credit Program was 0.11281% as compared to 0.11008% at June 30, 2016.

For the year ended June 30, 2018, the school division recognized VRS Teacher Employee Health Insurance Credit Program OPEB expense of \$121,000. Since there was a change in proportionate share between June 30, 2016 and June 30, 2017, a portion of the VRS Teacher Employee Health Insurance Credit Program Net OPEB expense was related to deferred amounts from changes in proportion.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018Note 12-Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

Teacher Employee Health Insurance Credit Program OPEB Liabilities, Teacher Employee Health Insurance Credit Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee Health Insurance Credit Program OPEB: (Continued)

At June 30, 2018, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee Health Insurance Credit Program OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	\$ -	\$ 3,000
Change in assumptions	-	14,000
Changes in proportionate share	30,000	-
Employer contributions subsequent to the measurement date	<u>110,427</u>	<u>-</u>
Total	\$ <u><u>140,427</u></u>	\$ <u><u>17,000</u></u>

\$110,427 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2019	\$ 2,000
2020	2,000
2021	2,000
2022	2,000
2023	3,000
Thereafter	2,000

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 12-Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

Actuarial Assumptions

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee Health Insurance Credit Program was based on an actuarial valuation as of June 30, 2016, 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, 2017.

Inflation	2.5%
Salary increases, including inflation: Teacher employees	3.5%-5.95%
Investment rate of return	7.0%, net of investment expenses, including inflation*

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 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 OPEB liabilities.

Mortality Rates - Teachers

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018Note 12-Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)*Actuarial Assumptions: (Continued)*

Mortality Rates - Teachers: (Continued)

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Net Teacher Employee HIC OPEB Liability

The net OPEB liability (NOL) for the Teacher Employee Health Insurance Credit Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the VRS Teacher Employee Health Insurance Credit Program is as follows (amounts expressed in thousands):

		Teacher Employee HIC OPEB Plan
Total Teacher Employee HIC OPEB Liability	\$	1,364,702
Plan Fiduciary Net Position		96,091
Teacher Employee net HIC OPEB Liability (Asset)	\$	<u>1,268,611</u>

Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability	7.04%
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The total Teacher Employee HIC OPEB liability is calculated by the System's actuary, and the plan's fiduciary net position is reported in the System's financial statements. The net Teacher Employee HIC OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018Note 12-Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)*Long-Term Expected Rate of Return*

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

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return</u>
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	<u>100.00%</u>		<u>4.80%</u>
		Inflation	<u>2.50%</u>
	*Expected arithmetic nominal return		<u>7.30%</u>

*The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018Note 12-Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)*Discount Rate*

The discount rate used to measure the total Teacher Employee HIC OPEB was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2019, the rate contributed by each school division for the VRS Teacher Employee Health Insurance Credit Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, all agencies are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee HIC OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total Teacher Employee HIC OPEB liability.

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

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan			
Net HIC OPEB Liability	\$ 1,598,000	\$ 1,432,000	\$ 1,290,000

Teacher Employee HIC OPEB Fiduciary Net Position

Detailed information about the VRS Teacher Employee Health Insurance Credit Program's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 13-Capital Assets:

Capital asset activity for the year ended June 30, 2018 was as follows:

Primary Government:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 749,787	\$ 161,251	\$ -	\$ 911,038
Construction in progress	542,310	165,618	(343,873)	364,055
Total capital assets not being depreciated	<u>\$ 1,292,097</u>	<u>\$ 326,869</u>	<u>\$ (343,873)</u>	<u>\$ 1,275,093</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 28,142,116	\$ 36,708	\$ -	\$ 28,178,824
Machinery and equipment	3,082,620	1,164,701	(59,935)	4,187,386
Total capital assets being depreciated	<u>\$ 31,224,736</u>	<u>\$ 1,201,409</u>	<u>\$ (59,935)</u>	<u>\$ 32,366,210</u>
Accumulated depreciation:				
Buildings and improvements	\$ (6,192,724)	\$ (740,514)	\$ -	\$ (6,933,238)
Machinery and equipment	(2,148,984)	(398,372)	37,042	(2,510,314)
Total accumulated depreciation	<u>\$ (8,341,708)</u>	<u>\$ (1,138,886)</u>	<u>\$ 37,042</u>	<u>\$ (9,443,552)</u>
Total capital assets being depreciated, net	<u>\$ 22,883,028</u>	<u>\$ 62,523</u>	<u>\$ (22,893)</u>	<u>\$ 22,922,658</u>
Governmental activities capital assets, net	<u>\$ 24,175,125</u>	<u>\$ 389,392</u>	<u>\$ (366,766)</u>	<u>\$ 24,197,751</u>

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COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 13-Capital Assets: (Continued)

Primary Government: (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 10,648	\$ -	\$ -	\$ 10,648
Construction in progress	26,590	-	(26,590)	-
Total capital assets not being depreciated	<u>\$ 37,238</u>	<u>\$ -</u>	<u>\$ (26,590)</u>	<u>\$ 10,648</u>
Capital assets, being depreciated:				
Infrastructure	\$ 3,619,708	\$ 26,590	\$ -	\$ 3,646,298
Machinery and equipment	32,310	-	-	32,310
Total capital assets being depreciated	<u>\$ 3,652,018</u>	<u>\$ 26,590</u>	<u>\$ -</u>	<u>\$ 3,678,608</u>
Accumulated depreciation:				
Infrastructure	\$ (1,317,163)	\$ (92,142)	\$ -	\$ (1,409,305)
Machinery and equipment	(31,213)	(1,097)	-	(32,310)
Total accumulated depreciation	<u>\$ (1,348,376)</u>	<u>\$ (93,239)</u>	<u>\$ -</u>	<u>\$ (1,441,615)</u>
Total capital assets being depreciated, net	<u>\$ 2,303,642</u>	<u>\$ (66,649)</u>	<u>\$ -</u>	<u>\$ 2,236,993</u>
Business-type activities capital assets, net	<u><u>\$ 2,340,880</u></u>	<u><u>\$ (66,649)</u></u>	<u><u>\$ (26,590)</u></u>	<u><u>\$ 2,247,641</u></u>

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

Governmental activities:	
General government administration	\$ 106,195
Public safety	171,331
Public works	118,680
Health and welfare	19,173
Education	581,738
Parks, recreation, and culture	64,117
Community development	77,652
Total depreciation expense-governmental activities	<u><u>\$ 1,138,886</u></u>
Business-type activities:	
Water	\$ 93,239
Total depreciation expense-business type activities	<u><u>\$ 93,239</u></u>

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 13-Capital Assets: (Continued)

Capital asset activity for the School Board for the year ended June 30, 2018 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	281,322	138,704	(420,026)	-
Total capital assets not being depreciated	<u>\$ 426,012</u>	<u>\$ 138,704</u>	<u>\$ (420,026)</u>	<u>\$ 144,690</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 13,345,088	\$ 175,372	\$ -	\$ 13,520,460
Machinery and equipment	4,337,827	550,655	(161,369)	4,727,113
Total capital assets being depreciated	<u>\$ 17,682,915</u>	<u>\$ 726,027</u>	<u>\$ (161,369)</u>	<u>\$ 18,247,573</u>
Accumulated depreciation:				
Buildings and improvements	\$ (11,119,836)	\$ (278,307)	\$ -	\$ (11,398,143)
Machinery and equipment	(3,541,945)	(205,315)	161,369	(3,585,891)
Total accumulated depreciation	<u>\$ (14,661,781)</u>	<u>\$ (483,622)</u>	<u>\$ 161,369</u>	<u>\$ (14,984,034)</u>
Total capital assets being depreciated, net	<u>\$ 3,021,134</u>	<u>\$ 242,405</u>	<u>\$ -</u>	<u>\$ 3,263,539</u>
Governmental activities capital assets, net	<u><u>\$ 3,447,146</u></u>	<u><u>\$ 381,109</u></u>	<u><u>\$ (420,026)</u></u>	<u><u>\$ 3,408,229</u></u>

Note 14-Risk Management:

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

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 15-Commitments and Contingencies:

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 16-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
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Note 17-Notes Receivable:

On June 5, 2008, the County loaned \$150,000 to Millworks LLC. The loan is payable in 120 monthly installments of \$1,380 starting with the first payment due on August 15, 2008. The note bears interest at the rate of 2%. The outstanding balance at June 30, 2018 was \$83,060. The note is delinquent as of June 30, 2018, but the County still expects full repayment.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 18-School Board Early Retirement Incentive Plan:

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

Employees may participate in the plan for a maximum of 14 years or until the appropriate age for receipt of social security benefits, whichever occurs first. In the event of the retiree's death, the balance of the ERIP owed will be paid to the retiree's estate. The School Board funds the plan on a pay as you go basis. As of June 30, 2018, the unfunded balance of the early retirement incentive plan totaled \$70,590.

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

Note 19-County Early Retirement Incentive Plan:

Defined Benefit Plan

Plan Description:

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 19-County Early Retirement Incentive Plan: (Continued)

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

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

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

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

Contributions Policy

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

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Note 19-County Early Retirement Incentive Plan: (Continued)

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

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

Actuarial Methods:

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

Actuarial Assumptions for GASB 68 Results:

- Valuation date—July 1, 2017
- Measurement date—June 30, 2018
- Mortality table— RP 2014 Mortality tables, fully generational with base year 2006, projected using two-dimensional mortality improvement scale MP-2017.
- Discount rate—July 1, 2018 is 3% and July 1, 2017 valuations is 6%.
- Expected long term rate of return— July 1, 2018 is 3% and July 1, 2017 valuations is 6%.
- Inflation—2.5% per year
- Salary increase—2.5% per year
- Ad-hoc COLA—None

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 19-County Early Retirement Incentive Plan: (Continued)

Plan Membership

As of June 30, 2018 (the measurement date), membership in the Supplemental Retirement Program was comprised as follows:

Active participants	12
Terminated vested participants	-
Participants receiving benefits	-
Total	<u>12</u>

Net Pension Liability

A detailed schedule of changes in the net pension liability is presented under required supplementary information. This information is intended to help users assess the extent of the Grayson County's obligation to the Defined Benefit Plan. The net pension liability at June 30, 2018 is as follows:

Total pension liability (TPL)	\$ 404,200
Plan fiduciary net position	<u>54,400</u>
Net pension liability (NPL)	\$ 349,800
Plan fiduciary net position as a percentage of the total pension liability	13.46%
Covered employee payroll	\$ 470,400
Net pension liability as a percentage of covered employee payroll	74.36%

Expected Rate of Return and Target Allocation

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018Note 19-County Early Retirement Incentive Plan: (Continued)**Sensitivity of the Net Pension Liability**

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate			
	1% Decrease (2.00%)	Current Discount Rate (3.00%)	1% Increase (4.00%)
Net Pension Liability	\$ 374,800	\$ 349,800	\$ 326,300

Summary of Deferred Outflows and Inflows of Resources

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 19-County Early Retirement Incentive Plan: (Continued)

Summary of Deferred Outflows and Inflows of Resources (Continued)

The component make up of deferred inflows of resources and deferred outflows of resources is as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Difference between expected and actual experience	\$ -	\$ 5,300
Change in assumption	55,800	-
Difference between expected and actual investment earnings	5,200	-
Total	<u>\$ 61,000</u>	<u>\$ 5,300</u>

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

Amortization Schedule of Deferred Outflows and Inflows of Resources

<u>Year Ended June 30,</u>	
2019	\$ 10,500
2020	10,500
2021	10,500
2022	9,300
2023	8,900
Thereafter	6,000

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COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 19-County Early Retirement Incentive Plan: (Continued)

Components of Pension Expense

	Pension Expense
Service Cost	\$ 7,900
Interest Cost	19,600
Projected Earnings on Plan Assets	(3,400)
Recognition of due to differences between expected and actual experience in the measurement of total pension liability	(900)
Recognition of changes in assumptions in the measurement of total pension liability	9,800
Recognition of differences between projected and actual earnings on plan investments	1,600
Administrative Expense	2,000
Pension Expense	<u>\$ 36,600</u>

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

Note 20-Deferred/Unavailable Revenue:

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

	Government-wide Statements Governmental Activities	Balance Sheet Governmental Funds
Primary Government:		
Unavailable property tax revenue representing uncollected property tax billings that are not available for the funding of current expenditures	\$ -	\$ 1,443,657
Tax assessments due after June 30	8,428,460	8,428,460
Prepaid taxes relating to taxes due in a future period	<u>79,662</u>	<u>79,662</u>
Total deferred/unavailable revenue	<u>\$ 8,508,122</u>	<u>\$ 9,951,779</u>

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 21-Litigation:

At June 30, 2018, 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 22-Adoption of Accounting Principles:

The County implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* during the fiscal year ended June 30, 2018. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to postemployment benefits other than pensions (other postemployment benefits or OPEB). Note disclosure and required supplementary information requirements about OPEB are also addressed. The requirements of this Statement will improve accounting and financial reporting by state and local governments for OPEB. In addition, the County implemented Governmental Accounting Standards Board Statement No. 85, *Omnibus 2017* during the fiscal year ended June 30, 2018. This Statement addresses practice issues identified during implementation and application of certain GASB statements for a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). The implementation of these Statements resulted in the restatement of net position as described in Note 23.

Note 23-Restatement of Beginning Balances:

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	School Board
Net Position, July 1, 2017, as previously stated	\$ 11,351,952	\$ 2,426,072	\$ 13,778,024	\$ (12,961,661)
Implementation of GASB 75	(558,324)	(7,613)	(565,937)	(2,937,069)
Correction of accrued leave	(72,547)	-	(72,547)	(172,061)
Net Position, July 1, 2017, as restated	<u>\$ 10,721,081</u>	<u>\$ 2,418,459</u>	<u>\$ 13,139,540</u>	<u>\$ (16,070,791)</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 24-Upcoming Pronouncements:

Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 87, *Leases*, increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, clarifies which liabilities governments should include when disclosing information related to debt. It defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. The Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, it requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 24-Upcoming Pronouncements: (Continued)

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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, 2018

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
General property taxes	\$ 11,214,000	\$ 11,214,000	\$ 11,774,326	\$ 560,326
Other local taxes	1,527,000	1,527,000	1,257,026	(269,974)
Permits, privilege fees, and regulatory licenses	73,950	73,950	76,829	2,879
Fines and forfeitures	15,200	15,200	24,983	9,783
Revenue from the use of money and property	54,500	54,500	93,518	39,018
Charges for services	1,659,640	1,663,122	1,681,105	17,983
Miscellaneous	84,681	82,661	235,850	153,189
Recovered costs	423,000	423,000	458,524	35,524
Intergovernmental:				
Commonwealth	4,339,330	4,357,570	4,372,780	15,210
Federal	1,125,325	1,156,775	1,692,332	535,557
Total revenues	\$ 20,516,626	\$ 20,567,778	\$ 21,667,273	\$ 1,099,495
EXPENDITURES				
Current:				
General government administration	\$ 1,620,287	\$ 1,604,917	\$ 1,580,318	\$ 24,599
Judicial administration	1,073,421	1,074,778	1,038,752	36,026
Public safety	4,055,764	4,486,222	4,517,536	(31,314)
Public works	1,850,594	1,870,064	1,802,003	68,061
Health and welfare	3,027,031	3,352,899	3,542,794	(189,895)
Education	5,351,722	5,567,341	5,915,508	(348,167)
Parks, recreation, and cultural	502,654	502,845	503,949	(1,104)
Community development	1,148,090	1,174,169	874,803	299,366
Capital projects	475,000	476,950	1,004,511	(527,561)
Debt service:				
Principal retirement	1,612,063	1,619,450	1,619,450	-
Interest and other fiscal charges	-	654,578	655,115	(537)
Total expenditures	\$ 20,716,626	\$ 22,384,213	\$ 23,054,739	\$ (670,526)
Excess (deficiency) of revenues over (under) expenditures	\$ (200,000)	\$ (1,816,435)	\$ (1,387,466)	\$ 428,969
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ -	\$ -	\$ (200,000)	\$ (200,000)
Issuance of note payable	-	-	50,000	50,000
Issuance of capital lease	-	-	418,812	418,812
Sale of capital assets	200,000	200,000	-	(200,000)
Total other financing sources (uses)	\$ 200,000	\$ 200,000	\$ 268,812	\$ 68,812
Net change in fund balances	\$ -	\$ (1,616,435)	\$ (1,118,654)	\$ 497,781
Fund balances - beginning	-	1,616,435	8,813,332	7,196,897
Fund balances - ending	\$ -	\$ -	\$ 7,694,678	\$ 7,694,678

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, 2018

	Economic Development Fund			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 45,384	\$ 45,384
EXPENDITURES				
Current:				
Community development	\$ -	\$ -	\$ 92,576	\$ (92,576)
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ (47,192)	\$ (47,192)
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 200,000	\$ 200,000
Net change in fund balances	\$ -	\$ -	\$ 152,808	\$ 152,808
Fund balances - beginning	-	-	762,846	762,846
Fund balances - ending	\$ -	\$ -	\$ 915,654	\$ 915,654

County of Grayson, Virginia
Schedule of Employer's Share of Net OPEB Liability
Group Life Insurance Program
For the Year Ended June 30, 2018

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
Primary Government					
2017	0.02235% \$	336,031 \$	4,119,304	8.16%	48.86%
Component Unit-School Board (Nonprofessional)					
2017	0.00575% \$	86,000 \$	1,046,780	8.22%	48.86%
Component Unit-School Board (Professional)					
2017	0.04826% \$	726,000 \$	8,906,833	8.15%	48.86%

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

County of Grayson, Virginia
Schedule of Employer Contributions
Group Life Insurance Program
For the Years Ended June 30, 2009 through June 30, 2018

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					
2018	\$ 22,476	\$ 22,476	\$ -	\$ 4,322,308	0.52%
2017	21,439	21,439	-	4,122,885	0.52%
Component Unit-School Board (nonprofessional)					
2018	\$ 4,985	\$ 4,985	\$ -	\$ 955,734	0.52%
2017	5,518	5,518	-	1,061,120	0.52%
2016	5,079	5,079	-	1,058,056	0.48%
2015	5,962	5,962	-	1,242,043	0.48%
2014	6,102	6,102	-	1,271,330	0.48%
2013	5,817	5,817	-	1,211,812	0.48%
2012	3,357	3,357	-	1,199,067	0.28%
2011	3,373	3,373	-	1,204,508	0.28%
2010	2,442	2,442	-	1,245,795	0.20%
2009	3,488	3,488	-	1,291,749	0.27%
Component Unit-School Board (professional)					
2018	\$ 46,684	\$ 46,684	\$ -	\$ 8,971,288	0.52%
2017	46,294	46,294	-	8,902,636	0.52%
2016	40,406	40,406	-	8,417,889	0.48%
2015	45,808	45,808	-	9,543,276	0.48%
2014	44,936	44,936	-	9,361,669	0.48%
2013	44,116	44,116	-	9,190,897	0.48%
2012	25,436	25,436	-	9,084,146	0.28%
2011	25,456	25,456	-	9,091,532	0.28%
2010	18,595	18,595	-	9,297,500	0.20%
2009	27,610	27,610	-	10,225,966	0.27%

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

County of Grayson, Virginia
Notes to Required Supplementary Information
Group Life Insurance Program
For the Year Ended June 30, 2018

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

Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

General State Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

Teachers

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

SPORS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

ValORS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

County of Grayson, Virginia
Notes to Required Supplementary Information
Group Life Insurance Program
For the Year Ended June 30, 2018

JRS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Non-Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

County of Grayson, Virginia
Schedule of School Board's Share of Net OPEB Liability
Teacher Health Insurance Credit Program (TIC)
For the Year Ended June 30, 2018

Date (1)	Employer's Proportion of the Net HIC OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability (6)
2017	0.1128%	\$ 1,432,000	\$ 8,906,833	16.08%	7.04%

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

County of Grayson, Virginia
Schedule of Employer Contributions
Teacher Health Insurance Credit Program (TIC)
For the Years Ended June 30, 2009 through June 30, 2018

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)
2018	\$ 110,427	\$ 110,427	\$ -	\$ 8,971,288	1.23%
2017	98,819	98,819	-	8,902,636	1.11%
2016	88,976	88,976	-	8,393,999	1.06%
2015	100,794	100,794	-	9,508,838	1.06%
2014	103,704	103,704	-	9,342,697	1.11%
2013	102,058	102,058	-	9,194,405	1.11%
2012	54,427	54,427	-	9,071,189	0.60%
2011	54,504	54,504	-	9,083,995	0.60%
2010	71,240	71,240	-	6,849,980	1.04%
2009	110,063	110,063	-	10,190,984	1.08%

County of Grayson, Virginia
Notes to Required Supplementary Information
Teacher Health Insurance Credit Program (TIC)
For the Year Ended June 30, 2018

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

Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

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

County of Grayson, Virginia
Schedule of Employer's Proportionate Share of the Total OPEB Liability
Primary Government
Health Insurance
For the Year Ended June 30, 2018

Date (1)	Proportion of the Total OPEB Liability (TOL) (2)	Proportionate Share of the TOL (3)	Covered Payroll (4)	Proportionate Share of the TOL as a Percentage of Covered Payroll (3)/(4) (5)
2018	97.37%	\$ 503,363	\$ 3,657,704	13.76%

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

County of Grayson, Virginia
Schedule of Changes in Total OPEB Liability and Related Ratios
Discretely Presented Component Unit - School Board
Health Insurance
For the Year Ended June 30, 2018

	<u>2018</u>
Total OPEB liability	
Service cost	\$ 51,100
Interest	49,600
Benefit payments	(127,900)
Net change in total OPEB liability	\$ (27,200)
Total OPEB liability - beginning	1,406,100
Total OPEB liability - ending	<u>\$ 1,378,900</u>
 Covered-employee payroll	 \$ 9,228,700
 School Board's total OPEB liability (asset) as a percentage of covered-employee payroll	 14.94%

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

County of Grayson, Virginia
Notes to Required Supplementary Information
Primary Government and Discretely Presented Component Unit - School Board
Health Insurance
For the Year Ended June 30, 2018

Valuation Date: 7/1/2016
Measurement Date: 7/1/2017

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

Primary Government:

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age normal level % of salary
Salary Increase Rates	Future salaries are assumed to increase 2.50% annually
Participation Rate	45% of active employees are assumed to elect coverage in retirement; 33% of their spouses are assumed to elect coverage in retirement; 100% of actives who become disabled are assumed to elect coverage
Discount Rate	3.56%
Medical Trend Rate	6.35% for fiscal year 2017, 7.50% for fiscal year 2018, decreasing 0.50% per year to an ultimate rate of 5.00%
Retirement Age	The average age at retirement is 62
Mortality Rates	The mortality rates for active and healthy retirees was calculated using the RP-2014 Fully Generational Mortality Table, with base year 2006, using two-dimensional improvement scale MP-2017.

Discretely Presented Component Unit - School Board:

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age normal level % of salary
Salary Increase Rates	Future salaries are assumed to increase 2.50% annually
Participation Rate	40% of active employees are assumed to elect coverage in retirement; 20% of their spouses are assumed to elect coverage in retirement; 100% of actives who become disabled are assumed to elect coverage
Discount Rate	3.56%
Inflation	2.50% per year as of June 30, 2017; 2.50% per year as of June 30, 2018
Medical Trend Rate	0.00% for fiscal year 2017, 7.50% for fiscal year 2018, decreasing 0.50% per year to an ultimate rate of 5.00%
Retirement Age	The average age at retirement is 62
Mortality Rates	The mortality rates for active and healthy retirees was calculated using the RP-2014 Fully Generational Mortality Table, with base year 2006, using two-dimensional improvement scale MP-2017.

County of Grayson, Virginia
Schedule of Employer's Proportionate Share of the Net Pension Liability
For the Years Ended June 30, 2015 through June 30, 2018

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					
2017	97.40%	\$ 5,137,512	\$ 4,119,304	124.72%	77.14%
2016	96.31%	6,079,894	3,813,997	159.41%	71.94%
2015	94.61%	5,257,154	3,646,980	144.15%	74.44%
2014	94.61%	4,836,844	3,532,363	136.93%	75.57%
Component Unit School Board (professional)					
2017	0.11334%	\$ 13,938,000	\$ 8,906,833	156.49%	72.92%
2016	0.11000%	15,416,000	8,373,995	184.09%	68.28%
2015	0.12789%	16,097,000	9,484,994	169.71%	70.68%
2014	0.12803%	15,438,000	9,342,058	165.25%	70.88%

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

County of Grayson, Virginia
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
Component Unit School Board (nonprofessional)
For the Years Ended June 30, 2015 through June 30, 2018

	2017	2016	2015	2014
Total pension liability				
Service cost	\$ 108,624	\$ 129,545	\$ 137,242	\$ 131,743
Interest	385,307	372,488	358,587	340,515
Differences between expected and actual experience	(194,674)	(53,238)	(63,481)	-
Changes in assumptions	(40,388)	-	-	-
Benefit payments, including refunds of employee contributions	(287,538)	(243,791)	(223,735)	(204,448)
Net change in total pension liability	\$ (28,669)	\$ 205,004	\$ 208,613	\$ 267,810
Total pension liability - beginning	5,648,158	5,443,154	5,234,541	4,966,731
Total pension liability - ending (a)	<u>\$ 5,619,489</u>	<u>\$ 5,648,158</u>	<u>\$ 5,443,154</u>	<u>\$ 5,234,541</u>
Plan fiduciary net position				
Contributions - employer	\$ 70,121	\$ 105,215	\$ 292,271	\$ 130,031
Contributions - employee	51,220	52,631	61,197	66,050
Net investment income	611,656	87,815	222,854	646,555
Benefit payments, including refunds of employee contributions	(287,538)	(243,791)	(223,735)	(204,448)
Administrative expense	(3,617)	(3,179)	(2,874)	(3,460)
Other	(541)	(37)	(46)	34
Net change in plan fiduciary net position	\$ 441,301	\$ (1,346)	\$ 349,667	\$ 634,762
Plan fiduciary net position - beginning	5,094,619	5,095,965	4,746,298	4,111,536
Plan fiduciary net position - ending (b)	<u>\$ 5,535,920</u>	<u>\$ 5,094,619</u>	<u>\$ 5,095,965</u>	<u>\$ 4,746,298</u>
School Board's net pension liability - ending (a) - (b)	\$ 83,569	\$ 553,539	\$ 347,189	\$ 488,243
Plan fiduciary net position as a percentage of the total pension liability	98.51%	90.20%	93.62%	90.67%
Covered payroll	\$ 1,046,780	\$ 1,058,056	\$ 1,242,043	\$ 1,271,330
School Board's net pension liability as a percentage of covered payroll	7.98%	52.32%	27.95%	38.40%

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

County of Grayson, Virginia
Schedule of Employer Contributions - Pension
For the Years Ended June 30, 2009 through June 30, 2018

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					
2018	\$ 677,569	\$ 677,569	\$ -	\$ 4,425,894	15.31%
2017	648,735	648,735	-	4,119,304	15.75%
2016	712,656	712,656	-	3,813,997	18.69%
2015	684,883	684,883	-	3,646,980	18.78%
Component Unit School Board (nonprofessional)					
2018	\$ 63,092	\$ 63,092	\$ -	\$ 949,587	6.83%
2017	70,121	70,121	-	1,046,780	6.83%
2016	105,194	105,194	-	1,058,056	9.97%
2015	122,393	292,271	(169,878)	1,242,043	23.53%
2014	130,057	130,057	-	1,271,330	10.23%
2013	123,968	123,968	-	1,211,812	10.23%
2012	89,421	89,421	-	1,192,283	7.50%
2011	90,260	90,260	-	1,203,460	7.50%
2010	96,561	96,561	-	1,244,348	7.76%
2009	99,578	99,578	-	1,283,224	7.76%
Component Unit School Board (professional)					
2018	\$ 1,442,354	\$ 1,442,354	\$ -	\$ 8,977,806	16.32%
2017	1,295,037	1,295,037	-	8,906,833	14.54%
2016	1,171,227	1,171,227	-	8,373,995	13.99%
2015	1,368,732	1,368,732	-	9,484,994	14.43%
2014	1,089,284	1,089,284	-	9,342,058	11.66%
2013	1,049,617	1,049,617	-	9,001,861	11.66%
2012	574,205	574,205	-	9,071,165	6.33%
2011	355,747	355,747	-	9,052,083	3.93%
2010	848,995	848,995	-	9,636,720	8.81%
2009	897,826	897,826	-	10,190,988	8.81%

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

County of Grayson, Virginia
Notes to Required Supplementary Information - Pension
For the Year Ended June 30, 2018

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 is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2017 are not material.

Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Largest 10 - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Largest 10 - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

All Others (Non 10 Largest) - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Component Unit School Board - Professional Employees

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

County of Grayson, Virginia
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
Grayson County Supplemental Retirement Program (ERIP)
For the Years Ended June 30, 2017 through June 30, 2018

	2018	2017
Total pension liability		
Service cost	\$ 7,900	\$ 7,700
Interest	19,600	18,400
Differences between expected and actual experience	(6,200)	-
Changes in assumptions	65,600	-
Benefit payments, including refunds of employee contributions	(4,400)	(7,600)
Net change in total pension liability	\$ 82,500	\$ 18,500
Total pension liability - beginning	321,700	303,200
Total pension liability - ending (a)	<u>\$ 404,200</u>	<u>\$ 321,700</u>
Plan fiduciary net position		
Contributions - employer	\$ -	\$ -
Contributions - employee	-	-
Net investment income	600	(1,100)
Benefit payments, including refunds of employee contributions	(4,400)	(7,600)
Administrative expense	(2,000)	-
Other	-	-
Net change in plan fiduciary net position	\$ (5,800)	\$ (8,700)
Plan fiduciary net position - beginning	60,200	68,900
Plan fiduciary net position - ending (b)	<u>\$ 54,400</u>	<u>\$ 60,200</u>
County's net pension liability - ending (a) - (b)	\$ 349,800	\$ 261,500
Plan fiduciary net position as a percentage of the total pension liability	13.46%	18.71%
Covered payroll	\$ 470,400	\$ 469,800
County's net pension liability as a percentage of covered payroll	74.36%	55.66%

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

County of Grayson, Virginia
Notes to Required Supplementary Information
Primary Government
Grayson County Supplemental Retirement Program (ERIP)
For the Year Ended June 30, 2018

Valuation Date: 7/1/2017
Measurement Date: 7/1/2017

Primary Government:

Methods and assumptions used to determine pension liability:

Actuarial Cost Method	Entry age actuarial cost method
Salary Increase Rates	Future salaries are assumed to increase 2.50% annually
Participation Rate	The plan is closed to only those 100% vested.
Discount Rate	3.00%
Retirement Age	The average age at retirement is 62
Mortality Rates	The mortality rates for active and healthy retirees was calculated using the RP-2014 Fully Generational Mortality Table, with base year 2006, projected using two-dimensional mortality improvement scale MP-2017.

Other Supplementary Information

County of Grayson, Virginia
Combining Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018

	Agency Funds			<u>Total</u>
	<u>Special Welfare</u>	<u>ASAP</u>	<u>Regional Library</u>	
ASSETS				
Cash and cash equivalents	\$ 6,294	\$ 122,725	\$ 196,899	\$ 325,918
Investments	-	50,558	-	50,558
Total assets	<u>\$ 6,294</u>	<u>\$ 173,283</u>	<u>\$ 196,899</u>	<u>\$ 376,476</u>
LIABILITIES				
Amounts held for social services clients	\$ 6,294	\$ -	\$ -	\$ 6,294
Amounts held for Mt. Rogers Alcohol Safety Action Program	-	173,283	-	173,283
Amounts held for Grayson Regional Library	-	-	196,899	196,899
Total liabilities	<u>\$ 6,294</u>	<u>\$ 173,283</u>	<u>\$ 196,899</u>	<u>\$ 376,476</u>

County of Grayson, Virginia
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2018

	Agency Funds			
	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
ASSETS				
Cash and cash equivalents:				
Special Welfare Fund	\$ 6,848	\$ 15,832	\$ (16,386)	\$ 6,294
Building Code Fund	-	1,321	(1,321)	-
ASAP	65,366	346,447	(289,088)	122,725
Regional Library	166,635	811,680	(781,416)	196,899
Investments:				
ASAP	174,134	1,631	(125,207)	50,558
Total assets	<u>\$ 412,983</u>	<u>\$ 1,176,911</u>	<u>\$ (1,213,418)</u>	<u>\$ 376,476</u>
LIABILITIES				
Amounts held for others:				
Social services clients	\$ 6,848	\$ 15,832	\$ (16,386)	\$ 6,294
Subsequent remittance to State for surcharge	-	1,321	(1,321)	-
Mt. Rogers Alcohol Safety Action Program	239,500	348,078	(414,295)	173,283
Grayson Regional Library	166,635	811,680	(781,416)	196,899
Total liabilities	<u>\$ 412,983</u>	<u>\$ 1,176,911</u>	<u>\$ (1,213,418)</u>	<u>\$ 376,476</u>

County of Grayson, Virginia
Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2018

	School Operating Fund
ASSETS	
Cash and cash equivalents	\$ 812,307
Receivables (net of allowance for uncollectibles):	
Accounts receivable	216,980
Due from primary government	19,780
Due from other governmental units	1,159,826
Prepaid items	107,606
Total assets	<u>\$ 2,316,499</u>
LIABILITIES	
Accounts payable	\$ 332,912
Accrued salaries	804,446
Total liabilities	<u>\$ 1,137,358</u>
FUND BALANCES	
Nonspendable:	
Prepaid items	\$ 107,606
Committed:	
Cafeteria	7,173
Unassigned	1,064,362
Total fund balances	<u>\$ 1,179,141</u>
Total liabilities and fund balances	<u>\$ 2,316,499</u>
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:	
Total fund balances per above	\$ 1,179,141
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Land	\$ 144,690
Buildings and improvements	2,122,317
Machinery and equipment	<u>1,141,222</u>
	3,408,229
Deferred outflows of resources are not available to pay for current period expenditures and, therefore, are not reported in the funds.	
Pension related items	\$ 2,090,446
OPEB related items	<u>340,996</u>
	2,431,442
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	\$ (316,305)
Net OPEB liabilities	(3,622,900)
ERIP liability	(70,590)
Net pension liability	<u>(14,021,569)</u>
	(18,031,364)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.	
Pension related items	\$ (3,272,281)
OPEB related items	<u>(108,000)</u>
	(3,380,281)
Net position of governmental activities	<u>\$ (14,392,833)</u>

County of Grayson, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2018

	School Operating Fund
REVENUES	
Revenue from the use of money and property	\$ 2,756
Charges for services	234,450
Miscellaneous	132,784
Recovered costs	895,176
Intergovernmental:	
Local government	5,896,173
Commonwealth	11,272,597
Federal	2,530,365
Total revenues	<u>\$ 20,964,301</u>
EXPENDITURES	
Current:	
Education	\$ 20,309,465
Total expenditures	<u>\$ 20,309,465</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 654,836</u>
Net change in fund balances	\$ 654,836
Fund balances - beginning	524,305
Fund balances - ending	<u><u>\$ 1,179,141</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	\$ 654,836
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 outlays in the current period.	
Capital outlay	\$ 444,705
Depreciation expense	<u>(483,622)</u>
	(38,917)
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	\$ (7,627)
Change in ERIP liability	88,214
Pension expense	924,787
OPEB expense	<u>56,665</u>
	1,062,039
Change in net position of governmental activities	<u><u>\$ 1,677,958</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, 2018

	School Operating Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 600	\$ 600	\$ 2,756	\$ 2,156
Charges for services	283,000	283,000	234,450	(48,550)
Miscellaneous	93,026	93,026	132,784	39,758
Recovered costs	812,221	596,602	895,176	298,574
Intergovernmental:				
Local government	5,332,387	5,548,006	5,896,173	348,167
Commonwealth	11,267,162	11,405,993	11,272,597	(133,396)
Federal	2,373,927	2,373,927	2,530,365	156,438
Total revenues	<u>\$ 20,162,323</u>	<u>\$ 20,301,154</u>	<u>\$ 20,964,301</u>	<u>\$ 663,147</u>
EXPENDITURES				
Current:				
Education	\$ 20,162,323	\$ 20,301,154	\$ 20,309,465	\$ (8,311)
Total expenditures	<u>\$ 20,162,323</u>	<u>\$ 20,301,154</u>	<u>\$ 20,309,465</u>	<u>\$ (8,311)</u>
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 654,836	\$ 654,836
Net change in fund balances	\$ -	\$ -	\$ 654,836	\$ 654,836
Fund balances - beginning	-	-	524,305	524,305
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,179,141</u>	<u>\$ 1,179,141</u>

County of Grayson, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

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	\$ 8,175,000	\$ 8,175,000	\$ 8,220,926	\$ 45,926
Real and personal public service corporation taxes	195,000	195,000	262,142	67,142
Personal property taxes	2,560,000	2,560,000	2,505,055	(54,945)
Mobile home taxes	24,000	24,000	34,277	10,277
Machinery and tools taxes	195,000	195,000	411,037	216,037
Merchant's capital	30,000	30,000	58,064	28,064
Penalties	20,000	20,000	63,585	43,585
Interest	15,000	15,000	219,240	204,240
Total general property taxes	\$ 11,214,000	\$ 11,214,000	\$ 11,774,326	\$ 560,326
Other local taxes:				
Local sales and use taxes	\$ 462,000	\$ 462,000	\$ 456,435	\$ (5,565)
Consumers' utility taxes	340,000	340,000	344,849	4,849
Consumption taxes	35,000	35,000	36,038	1,038
Motor vehicle licenses	570,000	570,000	253,160	(316,840)
Recordation taxes	95,000	95,000	120,950	25,950
Hotel and motel room taxes	25,000	25,000	32,065	7,065
Bank stock tax	-	-	13,529	13,529
Total other local taxes	\$ 1,527,000	\$ 1,527,000	\$ 1,257,026	\$ (269,974)
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 6,500	\$ 6,500	\$ 6,249	\$ (251)
Zoning permits	2,700	2,700	235	(2,465)
Transfer fees	750	750	861	111
Erosion control	2,500	2,500	642	(1,858)
Building permits	60,000	60,000	66,826	6,826
Other permits	1,500	1,500	2,016	516
Total permits, privilege fees, and regulatory licenses	\$ 73,950	\$ 73,950	\$ 76,829	\$ 2,879
Fines and forfeitures:				
Court fines and forfeitures	\$ 15,200	\$ 15,200	\$ 24,983	\$ 9,783
Revenue from use of money and property:				
Revenue from use of money	\$ 50,000	\$ 50,000	\$ 87,778	\$ 37,778
Revenue from use of property	4,500	4,500	5,740	1,240
Total revenue from use of money and property	\$ 54,500	\$ 54,500	\$ 93,518	\$ 39,018
Charges for services:				
Charges for trash fees	\$ 1,170,000	\$ 1,170,000	\$ 1,122,148	\$ (47,852)
Charges for sanitation and waste removal	306,400	306,400	363,046	56,646
Charges for recycling	62,500	65,982	86,713	20,731
Charges for parks and recreation	65,000	65,000	59,695	(5,305)
Charges for courtroom security	39,390	39,390	12,340	(27,050)
Charges for Commonwealth's Attorney	2,000	2,000	2,699	699
Charges for courthouse maintenance	-	-	2,986	2,986
Charges for administration	8,250	8,250	24,498	16,248
Charges for law enforcement	6,100	6,100	6,980	880
Total charges for services	\$ 1,659,640	\$ 1,663,122	\$ 1,681,105	\$ 17,983

County of Grayson, Virginia
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous:				
Other miscellaneous	\$ 84,681	\$ 82,661	\$ 235,850	\$ 153,189
Recovered costs:				
City of Galax	\$ 295,000	\$ 295,000	\$ 295,000	\$ -
School resource officer	36,000	36,000	36,000	-
Department of Social Services	50,000	50,000	85,524	35,524
Other recovered costs	42,000	42,000	42,000	-
Total recovered costs	<u>\$ 423,000</u>	<u>\$ 423,000</u>	<u>\$ 458,524</u>	<u>\$ 35,524</u>
Total revenue from local sources	<u>\$ 15,051,971</u>	<u>\$ 15,053,433</u>	<u>\$ 15,602,161</u>	<u>\$ 548,728</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle rolling stock tax	\$ 100	\$ 100	\$ -	\$ (100)
Mobile home titling tax	8,500	8,500	15,389	6,889
Recordation tax	26,725	26,725	29,170	2,445
Communication tax	350,000	350,000	348,038	(1,962)
Personal property tax relief funds	430,000	430,000	437,787	7,787
Total noncategorical aid	<u>\$ 815,325</u>	<u>\$ 815,325</u>	<u>\$ 830,384</u>	<u>\$ 15,059</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 307,194	\$ 307,194	\$ 293,812	\$ (13,382)
Sheriff	1,002,963	1,002,963	1,002,615	(348)
Commissioner of revenue	86,375	86,375	86,134	(241)
Treasurer	98,190	98,190	97,130	(1,060)
Registrar/electoral board	45,557	45,557	37,339	(8,218)
Clerk of the Circuit Court	231,400	231,400	248,942	17,542
Total shared expenses	<u>\$ 1,771,679</u>	<u>\$ 1,771,679</u>	<u>\$ 1,765,972</u>	<u>\$ (5,707)</u>
Other categorical aid:				
Public assistance and welfare administration	\$ 701,439	\$ 701,439	\$ 835,462	\$ 134,023
Children's services act	552,370	552,370	687,102	134,732
VJCCA	75,931	75,931	67,707	(8,224)
Fire programs	42,000	42,000	91,735	49,735
Victim witness	19,086	19,086	17,133	(1,953)
Law enforcement grants	2,500	10,740	49,828	39,088
Litter grant	7,000	7,000	7,012	12
Asset forfeiture	-	-	10,594	10,594
Records preservation grant	-	10,000	9,851	(149)
Other state funds	352,000	352,000	-	(352,000)
Total other categorical aid	<u>\$ 1,752,326</u>	<u>\$ 1,770,566</u>	<u>\$ 1,776,424</u>	<u>\$ 5,858</u>
Total categorical aid	<u>\$ 3,524,005</u>	<u>\$ 3,542,245</u>	<u>\$ 3,542,396</u>	<u>\$ 151</u>
Total revenue from the Commonwealth	<u>\$ 4,339,330</u>	<u>\$ 4,357,570</u>	<u>\$ 4,372,780</u>	<u>\$ 15,210</u>

County of Grayson, Virginia
Schedule of Revenues - Budget and Actual
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of taxes	\$ 16,000	\$ 16,000	\$ 91,635	\$ 75,635
Categorical aid:				
Public assistance and welfare administration	\$ 1,035,430	\$ 1,035,430	\$ 1,233,270	\$ 197,840
Byrne justice assistance grant	-	-	1,594	1,594
Law enforcement grants	-	-	13,928	13,928
Emergency preparedness	22,500	22,500	7,500	(15,000)
Children's services act	-	-	10,645	10,645
Community development block grant	-	31,450	282,365	250,915
Victim witness	51,395	51,395	51,395	-
Total categorical aid	\$ 1,109,325	\$ 1,140,775	\$ 1,600,697	\$ 459,922
Total revenue from the federal government	\$ 1,125,325	\$ 1,156,775	\$ 1,692,332	\$ 535,557
Total General Fund	\$ 20,516,626	\$ 20,567,778	\$ 21,667,273	\$ 1,099,495
Special Revenue Fund:				
Economic Development Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 9,259	\$ 9,259
Revenue from the use of property	-	-	36,125	36,125
Total revenue from use of money and property	\$ -	\$ -	\$ 45,384	\$ 45,384
Total Economic Development Fund	\$ -	\$ -	\$ 45,384	\$ 45,384
Total Primary Government	\$ 20,516,626	\$ 20,567,778	\$ 21,712,657	\$ 1,144,879
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	\$ 600	\$ 600	\$ 2,756	\$ 2,156
Charges for services:				
Cafeteria sales	\$ 283,000	\$ 283,000	\$ 234,450	\$ (48,550)
Miscellaneous:				
Other miscellaneous	\$ 93,026	\$ 93,026	\$ 132,784	\$ 39,758

County of Grayson, Virginia
Schedule of Revenues - Budget and Actual
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Revenue from local sources: (Continued)				
Recovered costs:				
Dual credit recovered costs	\$ 200,000	\$ 200,000	\$ 222,066	\$ 22,066
E-rate recovered costs	160,000	160,000	369,458	209,458
Other recovered costs	452,221	236,602	303,652	67,050
Total recovered costs	<u>\$ 812,221</u>	<u>\$ 596,602</u>	<u>\$ 895,176</u>	<u>\$ 298,574</u>
Total revenue from local sources	<u>\$ 1,188,847</u>	<u>\$ 973,228</u>	<u>\$ 1,265,166</u>	<u>\$ 291,938</u>
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Grayson, Virginia	<u>\$ 5,332,387</u>	<u>\$ 5,548,006</u>	<u>\$ 5,896,173</u>	<u>\$ 348,167</u>
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 2,113,938	\$ 2,113,938	\$ 2,011,823	\$ (102,115)
Basic school aid	5,133,928	5,133,928	5,007,710	(126,218)
Remedial summer education	100,797	100,797	64,751	(36,046)
Foster care	517	517	6,729	6,212
ISAP	7,859	7,859	8,294	435
Gifted and talented	49,113	49,113	48,314	(799)
Remedial education	247,610	247,610	243,581	(4,029)
Jobs for VA graduates	-	-	25,000	25,000
Special education	613,910	613,910	603,921	(9,989)
Textbook payment	112,325	112,325	110,497	(1,828)
School nutrition	12,506	12,506	11,842	(664)
Vocational standards of quality payments	254,773	254,773	250,627	(4,146)
Vocational adult education	-	-	276	276
Vocational education equipment	-	-	5,013	5,013
Social security fringe benefits	331,511	331,511	326,117	(5,394)
Retirement fringe benefits	759,202	759,202	746,849	(12,353)
Group life insurance fringe benefit	22,510	22,510	22,144	(366)
State lottery payments	280,475	280,475	276,163	(4,312)
Early reading intervention	43,506	43,506	39,551	(3,955)
Special education - Homebound	24,997	24,997	27,424	2,427
Special education - tuition	139,616	139,616	153,533	13,917
Vocational occupational preparedness	50,834	50,834	33,110	(17,724)
Salary supplement	53,234	53,234	52,345	(889)
At risk payments	298,975	298,975	304,064	5,089
At risk four year olds	142,817	142,817	142,817	-
Primary class size	194,700	194,700	190,366	(4,334)
Technology	232,000	370,831	370,831	-
Industry certification cost	-	-	2,726	2,726
English as a second language	13,971	13,971	13,389	(582)
Standards of Learning algebra readiness	26,515	26,515	24,104	(2,411)
National board certified teacher	-	-	10,000	10,000
School security grant	-	-	70,462	70,462
Positive behavior grant	-	-	15,000	15,000
Mentor teacher program	1,264	1,264	1,448	184
CTE	-	-	42,386	42,386
Project Graduation	-	-	3,758	3,758
Other categorical aid	3,759	3,759	5,632	1,873
Total categorical aid	<u>\$ 11,267,162</u>	<u>\$ 11,405,993</u>	<u>\$ 11,272,597</u>	<u>\$ (133,396)</u>
Total revenue from the Commonwealth	<u>\$ 11,267,162</u>	<u>\$ 11,405,993</u>	<u>\$ 11,272,597</u>	<u>\$ (133,396)</u>

County of Grayson, Virginia
Schedule of Revenues - Budget and Actual
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government:				
Categorical aid:				
Forest reserve fund	\$ -	\$ -	\$ 47,667	\$ 47,667
Title I	605,933	605,933	648,257	42,324
Title IV-A	-	-	14,376	14,376
Title VI-B, special education flow-through	640,147	640,147	590,389	(49,758)
Title VI-B, special education pre-school	21,307	21,307	19,540	(1,767)
Language acquisition	2,534	2,534	-	(2,534)
21st century learning grants	200,000	200,000	191,117	(8,883)
Migrant education	3,616	3,616	-	(3,616)
School food programs	722,133	722,133	844,432	122,299
Supporting effective instruction	105,331	105,331	80,688	(24,643)
Fresh fruits and vegetables	-	-	22,995	22,995
Perkins vocational education	38,584	38,584	43,872	5,288
Title VI, rural and low income school administration	34,342	34,342	27,032	(7,310)
Total categorical aid	<u>\$ 2,373,927</u>	<u>\$ 2,373,927</u>	<u>\$ 2,530,365</u>	<u>\$ 156,438</u>
Total revenue from the federal government	<u>\$ 2,373,927</u>	<u>\$ 2,373,927</u>	<u>\$ 2,530,365</u>	<u>\$ 156,438</u>
Total School Operating Fund	<u>\$ 20,162,323</u>	<u>\$ 20,301,154</u>	<u>\$ 20,964,301</u>	<u>\$ 663,147</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 20,162,323</u>	<u>\$ 20,301,154</u>	<u>\$ 20,964,301</u>	<u>\$ 663,147</u>

County of Grayson, Virginia
Schedule of Expenditures - Budget and Actual
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<u>Fund, Function, Activity, and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 55,856	\$ 52,138	\$ 51,551	\$ 587
General and financial administration:				
County administrator	\$ 496,996	\$ 509,687	\$ 499,322	\$ 10,365
Audit services	68,000	69,907	75,305	(5,398)
Legal services	25,000	25,000	14,271	10,729
Commissioner of revenue	265,797	262,949	254,033	8,916
Treasurer	347,118	357,739	370,193	(12,454)
Information technology	160,439	160,439	162,527	(2,088)
Other general and financial administration	57,028	15,601	11,928	3,673
Total general and financial administration	\$ 1,420,378	\$ 1,401,322	\$ 1,387,579	\$ 13,743
Board of elections:				
Electoral board and officials	\$ 54,890	\$ 62,294	\$ 56,001	\$ 6,293
Registrar	89,163	89,163	85,187	3,976
Total board of elections	\$ 144,053	\$ 151,457	\$ 141,188	\$ 10,269
Total general government administration	\$ 1,620,287	\$ 1,604,917	\$ 1,580,318	\$ 24,599
Judicial administration:				
Courts:				
Circuit court	\$ 25,506	\$ 25,506	\$ 16,618	\$ 8,888
General district court	8,793	8,793	6,451	2,342
Special magistrates	1,281	1,281	906	375
VJCCA	113,875	88,875	83,765	5,110
Courtroom security	39,390	39,390	25,893	13,497
Law library	-	-	409	(409)
Victim witness	70,481	70,481	68,685	1,796
Clerk of the circuit court	397,413	432,021	435,671	(3,650)
Total courts	\$ 656,739	\$ 666,347	\$ 638,398	\$ 27,949
Commonwealth's attorney:				
Commonwealth's attorney	\$ 416,682	\$ 408,431	\$ 400,354	\$ 8,077
Total judicial administration	\$ 1,073,421	\$ 1,074,778	\$ 1,038,752	\$ 36,026
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 2,286,512	\$ 2,422,389	\$ 2,452,303	\$ (29,914)
Fire and rescue services:				
Volunteer fire department	\$ 185,450	\$ 195,513	\$ 212,964	\$ (17,451)
Ambulance and rescue services	224,550	217,353	238,954	(21,601)
Twin County E911	187,120	187,121	187,120	1
Total fire and rescue services	\$ 597,120	\$ 599,987	\$ 639,038	\$ (39,051)

County of Grayson, Virginia
Schedule of Expenditures - Budget and Actual
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<u>Fund, Function, Activity, and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public safety: (Continued)				
Correction and detention:				
New River Valley Regional Jail payments	\$ 800,000	\$ 1,028,025	\$ 1,027,978	\$ 47
New River Valley Juvenile Detention Center payments	47,800	109,415	101,202	8,213
Total correction and detention	<u>\$ 847,800</u>	<u>\$ 1,137,440</u>	<u>\$ 1,129,180</u>	<u>\$ 8,260</u>
Inspections:				
Building	\$ 144,319	\$ 156,889	\$ 144,196	\$ 12,693
Other protection:				
Animal warden	\$ 103,336	\$ 93,174	\$ 84,030	\$ 9,144
Day report	61,177	61,177	60,365	812
Medical examiner	5,500	5,166	1,040	4,126
Emergency services	10,000	10,000	7,384	2,616
Total other protection	<u>\$ 180,013</u>	<u>\$ 169,517</u>	<u>\$ 152,819</u>	<u>\$ 16,698</u>
Total public safety	<u>\$ 4,055,764</u>	<u>\$ 4,486,222</u>	<u>\$ 4,517,536</u>	<u>\$ (31,314)</u>
Public works:				
Sanitation and waste removal:				
Refuse collection	\$ 925,573	\$ 941,763	\$ 954,542	\$ (12,779)
Refuse disposal	391,600	391,600	349,970	41,630
Recycling program	121,115	124,596	127,314	(2,718)
Total sanitation and waste removal	<u>\$ 1,438,288</u>	<u>\$ 1,457,959</u>	<u>\$ 1,431,826</u>	<u>\$ 26,133</u>
Maintenance of general buildings and grounds:				
General properties	\$ 196,219	\$ 200,922	\$ 192,128	\$ 8,794
Public works	36,600	36,600	27,961	8,639
Jail building	23,604	23,604	20,499	3,105
Courthouse	140,333	135,429	122,361	13,068
Health center	3,050	3,050	2,452	598
Ag. Ed.	12,500	12,500	4,776	7,724
Total maintenance of general buildings and grounds	<u>\$ 412,306</u>	<u>\$ 412,105</u>	<u>\$ 370,177</u>	<u>\$ 41,928</u>
Total public works	<u>\$ 1,850,594</u>	<u>\$ 1,870,064</u>	<u>\$ 1,802,003</u>	<u>\$ 68,061</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	\$ 40,000	\$ 40,000	\$ 40,000	\$ -
Welfare:				
Welfare administration and programs	\$ 2,099,307	\$ 2,099,307	\$ 2,297,584	\$ (198,277)
Children's services act	700,000	1,025,868	1,017,486	8,382
Area office on aging	14,337	14,337	14,337	-
Total welfare	<u>\$ 2,813,644</u>	<u>\$ 3,139,512</u>	<u>\$ 3,329,407</u>	<u>\$ (189,895)</u>
Total health and welfare	<u>\$ 3,027,031</u>	<u>\$ 3,352,899</u>	<u>\$ 3,542,794</u>	<u>\$ (189,895)</u>

County of Grayson, Virginia
Schedule of Expenditures - Budget and Actual
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<u>Fund, Function, Activity, and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Education:				
Other instructional costs:				
Contribution to Community College	\$ 19,335	\$ 19,335	\$ 19,335	\$ -
Contribution to County School Board	5,332,387	5,548,006	5,896,173	(348,167)
Total education	<u>\$ 5,351,722</u>	<u>\$ 5,567,341</u>	<u>\$ 5,915,508</u>	<u>\$ (348,167)</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Recreation	\$ 224,731	\$ 224,922	\$ 226,026	\$ (1,104)
Library:				
Contribution to regional library	\$ 277,923	\$ 277,923	\$ 277,923	\$ -
Total parks, recreation, and cultural	<u>\$ 502,654</u>	<u>\$ 502,845</u>	<u>\$ 503,949</u>	<u>\$ (1,104)</u>
Community development:				
Planning and community development:				
Planning commission	\$ 21,304	\$ 18,295	\$ 12,421	\$ 5,874
Tourism development	35,393	38,506	38,479	27
Twin county airport	53,560	53,560	53,560	-
Multi-flora rose	500	500	-	500
Economic development	836,171	857,996	580,836	277,160
Other community development	76,833	76,833	76,410	423
Total planning and community development	<u>\$ 1,023,761</u>	<u>\$ 1,045,690</u>	<u>\$ 761,706</u>	<u>\$ 283,984</u>
Environmental management:				
Contribution to soil and water district	\$ 5,000	\$ 5,000	\$ 3,000	\$ 2,000
Storm water maintenance	3,550	3,550	3,509	41
Total environmental management	<u>\$ 8,550</u>	<u>\$ 8,550</u>	<u>\$ 6,509</u>	<u>\$ 2,041</u>
Cooperative extension program:				
Extension office	\$ 115,779	\$ 119,929	\$ 106,588	\$ 13,341
Total community development	<u>\$ 1,148,090</u>	<u>\$ 1,174,169</u>	<u>\$ 874,803</u>	<u>\$ 299,366</u>
Capital projects:				
Other capital projects	\$ 475,000	\$ 476,950	\$ 1,004,511	\$ (527,561)
Total capital projects	<u>\$ 475,000</u>	<u>\$ 476,950</u>	<u>\$ 1,004,511</u>	<u>\$ (527,561)</u>
Debt service:				
Principal retirement	\$ 1,612,063	\$ 1,619,450	\$ 1,619,450	\$ -
Interest and other fiscal charges	-	654,578	655,115	(537)
Total debt service	<u>\$ 1,612,063</u>	<u>\$ 2,274,028</u>	<u>\$ 2,274,565</u>	<u>\$ (537)</u>
Total General Fund	<u>\$ 20,716,626</u>	<u>\$ 22,384,213</u>	<u>\$ 23,054,739</u>	<u>\$ (670,526)</u>

County of Grayson, Virginia
Schedule of Expenditures - Budget and Actual
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<u>Fund, Function, Activity, and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Special Revenue Fund:				
Economic Development Fund				
Community Development:				
Economic development	\$ -	\$ -	\$ 92,576	\$ (92,576)
Total community development	\$ -	\$ -	\$ 92,576	\$ (92,576)
Total Economic Development Fund	\$ -	\$ -	\$ 92,576	\$ (92,576)
Total Primary Government	\$ 20,716,626	\$ 22,384,213	\$ 23,147,315	\$ (763,102)
Discretely Presented Component Unit - School Board				
School Operating Fund:				
Education:				
Administration of schools:				
Administration, attendance and health	\$ 784,745	\$ 784,745	\$ 1,032,651	\$ (247,906)
Instructional costs:				
Classroom instruction	\$ 13,565,686	\$ 13,565,686	\$ 13,546,062	\$ 19,624
Operating costs:				
School cafeteria operations	\$ 1,030,402	\$ 1,030,402	\$ 1,099,575	\$ (69,173)
Pupil transportation	1,201,832	1,201,832	1,463,965	(262,133)
Operation and maintenance of school plant	2,660,999	2,799,830	2,494,565	305,265
Technology	918,659	918,659	672,647	246,012
Total operating costs	\$ 5,811,892	\$ 5,950,723	\$ 5,730,752	\$ 219,971
Total Education	\$ 20,162,323	\$ 20,301,154	\$ 20,309,465	\$ (8,311)
Total Discretely Presented Component Unit - School Board	\$ 20,162,323	\$ 20,301,154	\$ 20,309,465	\$ (8,311)

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
2017-18	\$ 1,458,826	\$ 1,056,799	\$ 4,527,923	\$ 1,874,082	\$ 3,439,152	\$ 6,497,246	\$ 518,306	\$ 1,127,597	\$ 452,581	\$ 315,932	\$ 21,268,444
2016-17	1,347,040	988,337	4,130,658	1,833,305	2,757,910	6,166,623	479,298	1,168,881	487,320	313,773	19,673,145
2015-16	1,221,223	738,367	3,756,030	1,684,005	2,568,994	5,768,172	566,508	841,802	484,527	251,679	17,881,307
2014-15	1,427,523	834,684	3,434,969	1,826,856	2,866,899	6,361,306	446,006	2,989,423	602,957	242,411	21,033,034
2013-14	1,162,628	852,464	3,402,712	1,725,831	2,827,869	5,668,170	441,542	757,907	612,569	256,916	17,708,608
2012-13	979,020	791,486	3,265,425	1,297,578	2,563,894	4,980,545	471,473	764,628	641,036	278,561	16,033,646
2011-12	1,008,351	773,326	3,160,218	1,199,271	2,562,695	5,169,448	413,036	724,623	544,422	263,930	15,819,320
2010-11	1,086,469	789,512	2,991,393	1,326,795	2,377,040	4,960,032	451,087	703,919	665,468	250,913	15,602,628
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

Table 2

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

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

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

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

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

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

Table 5

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

Fiscal Year	Total Tax Levy (1,2)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1,3)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1)	Percent of Delinquent Taxes to Tax Levy
2017-18	\$ 12,301,485	\$ 10,875,900	88.41%	\$ 615,601	11,491,501	93.42%	\$ 1,843,214	14.98%
2016-17	9,924,601	9,312,581	93.83%	658,611	9,971,192	100.47%	1,323,643	13.34%
2015-16	9,826,512	9,146,131	93.08%	650,180	9,796,311	99.69%	1,344,578	13.68%
2014-15	9,748,700	9,128,324	93.64%	477,081	9,605,405	98.53%	1,438,969	14.76%
2013-14	9,758,039	9,058,301	92.83%	507,328	9,565,629	98.03%	1,318,247	13.51%
2012-13	9,765,219	9,065,028	92.83%	411,738	9,476,766	97.05%	1,263,967	12.94%
2011-12	9,627,917	9,064,047	94.14%	446,328	9,510,375	98.78%	1,024,867	10.64%
2010-11	9,632,648	9,067,919	94.14%	411,546	9,479,465	98.41%	949,816	9.86%
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%

(1) Exclusive of penalties and interest.

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

(3) Does not include land redemptions.

Table 6

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

Fiscal Year	Real Estate	Personal Property and Mobile Homes	Merchant's Capital	Machinery and Tools	Public Utility (2)			Total
					Real Estate	Personal Property	Personal Property	
2017-18	\$ 1,663,763,300	\$ 119,772,171	\$ 801,148	\$ 13,779,606	\$ 53,498,280	\$ -	\$ -	\$ 1,851,614,505
2016-17	1,661,250,900	113,102,005	458,676	11,169,205	49,120,441	-	-	1,835,101,227
2015-16	1,677,434,500	100,886,499	658,664	9,507,998	53,443,671	-	-	1,841,931,332
2014-15	1,675,444,500	99,452,456	634,712	8,222,871	46,905,446	-	-	1,830,659,985
2013-14	1,669,670,500	95,817,181	658,976	8,774,792	41,073,315	-	-	1,815,994,764
2012-13	1,665,125,300	97,851,316	646,211	7,123,835	42,014,145	49,425	49,425	1,812,810,232
2011-12	1,658,580,400	97,342,296	601,363	6,638,371	38,897,071	65,145	65,145	1,802,124,646
2010-11	1,655,566,400	98,196,863	493,893	8,481,414	35,439,899	61,188	61,188	1,798,239,657
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

(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
2017-18	\$ 0.49	\$ 1.75	\$ 1.75	\$ 6.70
2016-17	0.49	1.75	1.75	6.70
2015-16	0.49	1.75	1.75	6.70
2014-15	0.49	1.75	1.75	6.70
2013-14	0.49	1.75	1.75	6.70
2012-13	0.49	1.75	1.75	6.70
2011-12	0.49	1.75	1.75	6.70
2010-11	0.49	1.75	1.75	6.70
2009-10	0.34	1.75	1.75	6.70
2008-09	0.30	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
2017-18	15,665	\$ 1,851,615	\$ 14,229,902	\$ 14,229,902	0.77%	\$ 908
2016-17	15,533	1,835,101	14,864,703	14,864,703	0.81%	957
2015-16	15,533	1,841,931	15,478,753	15,478,753	0.84%	997
2014-15	15,533	1,830,660	16,072,090	16,072,090	0.88%	1,035
2013-14	15,533	1,815,995	16,894,524	16,894,524	0.93%	1,088
2012-13	15,533	1,812,810	16,974,620	16,974,620	0.94%	1,093
2011-12	15,533	1,802,125	19,033,426	19,033,426	1.06%	1,225
2010-11	15,533	1,798,240	19,509,496	19,509,496	1.08%	1,256
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

(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
2017-18	1,619,450	655,115	2,274,565	36,556,096	6.22%
2016-17	655,868	688,082	1,343,950	34,052,898	3.95%
2015-16	595,860	683,655	1,279,515	32,107,411	3.99%
2014-15	822,434	694,431	1,516,865	37,008,673	4.10%
2013-14	112,865	513,000	625,865	33,796,664	1.85%
2012-13 (3)	18,009,866	763,379	18,773,245	51,324,329	36.58%
2011-12 (2)	18,434,255	642,784	19,077,039	50,041,213	38.12%
2010-11	2,358,145	392,389	2,750,534	35,571,664	7.73%
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%

(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, 2018, and the related notes to the financial statements, which collectively comprise the County of Grayson, Virginia's basic financial statements, and have issued our report thereon dated December 28, 2018.

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 have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness [2018-001].

Compliance and Other Matters

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

County of Grayson, Virginia's Response to Finding

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

Purpose of this Report

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



Blacksburg, Virginia
December 28, 2018

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, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of County of Grayson, Virginia's major federal programs for the year ended June 30, 2018. County of Grayson, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, County of Grayson, Virginia, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

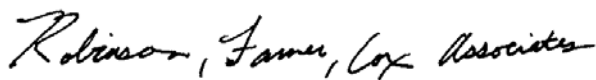
Report on Internal Control over Compliance

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

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

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

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



Blacksburg, Virginia
December 28, 2018

County of Grayson, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

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	0950016, 0950117	\$ 8,845
Temporary Assistance for Needy Families	93.558	0400117, 0400118	162,750
Refugee and Entrant Assistance - State Administered Programs	93.566	0500117, 0500118	244
Low-Income Home Energy Assistance	93.568	0600417, 0600418	23,414
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760117, 0760118	27,789
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900116, 0900117	553
Foster Care - Title IV-E	93.658	1100117, 1100118	232,267
Adoption Assistance	93.659	1120117, 1120118	238,155
Social Services Block Grant	93.667	1000117, 1000118	116,273
Chafee Foster Care Independence Program	93.674	9150117, 9150118	2,999
Medical Assistance Program	93.778	1200117, 1200118	213,875
Children's Health Insurance Program	93.767	0540117, 0540118	7,569
Total Department of Health and Human Services			<u>\$ 1,034,733</u>
Department of Agriculture:			
Pass Through Payments:			
<i>Child Nutrition Cluster:</i>			
<i>Department of Agriculture:</i>			
Summer Food Service Program for Children	10.559	Not available	\$ 28,106
Food Distribution (Note 3)	10.555	Not available	\$ 72,215
<i>Department of Education:</i>			
National School Lunch Program	10.555	APE40254	472,216 544,431
School Breakfast Program	10.553	APE40253	182,095
<i>Total Child Nutrition Cluster</i>			<u>\$ 754,632</u>
<i>Department of Education:</i>			
Child Nutrition Discretionary Grants Limited Availability	10.579	APE40622	38,049
Schools and Roads - Grants to States	10.665	APE43841	47,667
Fresh Fruit and Vegetable Program	10.582	APE40252	22,995
<i>Department of Agriculture:</i>			
Child and Adult Care Food Program	10.558	Not available	51,751
<i>Department of Social Services:</i>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010117, 0010118 0040117, 0040118	209,182
Total Department of Agriculture			<u>\$ 1,124,276</u>
Department of Justice:			
Pass Through Payments:			
<i>Department of Criminal Justice Service:</i>			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	16DJBX0482	\$ 1,594
Crime Victim Assistance	16.575	16VAGX0039	51,395
Total Department of Justice			<u>\$ 52,989</u>
Department of Transportation:			
Pass Through Payments:			
<i>Department of Motor Vehicles:</i>			
Alcohol Open Container Requirements	20.607	154AL-2017-57089-6738 154AL-2018-58128-8128	<u>\$ 13,928</u>
Department of Homeland Security:			
Pass Through Payments:			
<i>Department of Emergency Services:</i>			
Emergency Management Performance Grants	97.042	0000110273	<u>\$ 7,500</u>

County of Grayson, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018 (Continued)

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Education:			
Pass Through Payments:			
Department of Education:			
Special Education Cluster:			
Special Education - Preschool Grants	84.173	APE62521	\$ 19,540
Special Education - Grants to States	84.027	APE43071	590,389
Total Special Education Cluster			\$ 609,929
Title I: Grants to Local Educational Agencies	84.010	APE42901	648,257
Twenty-first Century Community Learning Centers	84.287	APE60565	191,117
Career and Technical Education - Basic Grants to States	84.048	APE61095	43,872
Rural Education	84.358	APE43481	27,032
Supporting Effective Instruction State Grant	84.367	APE61480	80,688
Student Support and Academic Enrichment Program	84.424	APE60281	14,376
Total Department of Education			\$ 1,615,271
Department of Housing and Urban Development:			
Pass Through Payments:			
Department of Housing and Community Development:			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	HCD50790	\$ 282,365
Total Expenditures of Federal Awards			\$ 4,131,062

Notes to Schedule of Expenditures of Federal Awards

Note 1 -- Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the County of Grayson, Virginia, its blended component units Grayson County Public Service Authority and Grayson County Economic Development Authority, and its discretely presented component unit - School Board under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County of Grayson, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County of Grayson, Virginia.

Note 2 -- Summary of Significant Accounting Policies

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

Note 3 -- Food Donation

Nonmonetary assistance is reported in the schedule at the fair market value of commodities received and disbursed. At June 30, 2018, the County had no food commodities in inventory.

Note 4 -- Subrecipients

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

Note 5 -- 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	\$ 1,692,332
Less: Payment in lieu of taxes	(91,635)
Total primary government	\$ 1,600,697
Component Unit School Board:	
School Operating Fund	\$ 2,530,365
Total expenditures of federal awards per basic financial statements	\$ 4,131,062

County of Grayson, Virginia

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

Section I - Summary of Auditors' Results

Financial Statements

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

Federal Awards

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

Identification of major programs:

CFDA #	Name of Federal Program or Cluster
10.553/10.555/10.559	Child Nutrition Cluster
84.010	Title I, Grants to Local Educational Agencies
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, 2018

Section II - Financial Statement Findings

2018-001

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

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

Cause of Condition: The County and School Board have had numerous changes in the financial reporting processes including software, staffing, and consultants. The County's accounting software also has several complications to be resolved. These items resulted in the auditors proposing material adjustments.

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

Recommendation: The County and School Board should continue to reconcile transfers and review financial information for accuracy.

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

Section III - Federal Award Findings and Questioned Costs

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

Section IV - Status of Prior Audit Findings

The prior audit finding 2017-001 recurred in the current year as 2018-001.