

COUNTY OF GRAYSON, VIRGINIA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

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COUNTY OF GRAYSON, VIRGINIA  
FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2019

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FINANCIAL SECTION

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## INTRODUCTORY SECTION

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## COUNTY OF GRAYSON, VIRGINIA

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### BOARD OF SUPERVISORS

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

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### COUNTY SCHOOL BOARD

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

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### SOCIAL SERVICES BOARD

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

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

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## FINANCIAL SECTION

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**INDEPENDENT AUDITORS' REPORT**

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**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, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditors' Responsibility***

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

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

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

## *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit-School Board, each major fund, and the aggregate remaining fund information of the County of Grayson, as of June 30, 2019, 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 25 to the financial statements, in 2019, the County adopted new accounting guidance, GASB Statement No. 88 *Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements* and early implemented GASB No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. Our opinion is not modified with respect to this matter.

## *Restatement of Beginning Balances*

As described in Note 26 to the financial statements, in 2019, the County restated beginning balances to correct several beginning balances. Our opinion is not modified with respect to these matters.

## *Other Matters*

### *Required Supplementary Information*

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

### *Supplementary and Other Information*

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



### *Supplementary and Other Information (Continued)*

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

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2020, on our consideration of the County of Grayson, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of County of Grayson, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Grayson, Virginia's internal control over financial reporting and compliance.



Blacksburg, Virginia  
January 15, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2019

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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, 2019. We encourage readers to consider the information presented here in conjunction with the basic audited financial statements.

### Financial Highlights

- The assets and deferred outflows of the County's governmental activities exceeded its liabilities and deferred inflows at the close of the fiscal year by \$10,928,039 (net position). Of this amount, \$3,247,564 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 \$2,284,935 (net position). Of this amount, \$107,396 was considered unrestricted.
- The liabilities and deferred inflows of the School Board component unit exceeded its assets and deferred outflows at the close of the fiscal year by \$(12,639,117) (net position). Of this amount \$(16,370,876) was considered unrestricted.
- As of the close of the current fiscal year, the County's funds reported combined ending fund balances of \$7,939,064. Of this amount, \$5,684,842 was considered unassigned, \$149,442 was considered nonspendable, \$602,998 was considered assigned, \$1,363,058 was considered committed, and \$138,724 was considered restricted.
- During the fiscal year, the County had a change in net position of \$(166,417) for governmental activities, \$(71,422) for business-type activities, and \$1,753,716 for the School Board component unit. For the governmental activities, expenses exceeded the revenues and net transfers 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, 2019

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## 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, 2019

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Overview of the Financial Statements (Continued)

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

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

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

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

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2019

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Overview of the Financial Statements (Continued)

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

Government-wide Financial Analysis

As noted earlier, net position may serve as a useful indicator of a County's financial position. In the case of the County's Primary Government, assets and deferred outflows exceed liabilities and deferred inflows by \$10,928,039 at the close of the most recent fiscal year.

A significant portion of the County's net position, \$7,541,751 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 \$138,724, is subject to restrictions on how it may be used. The remaining balance of net position of \$3,247,564 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, 2019

## Overview of the Financial Statements (Continued)

The following table summarizes the County's Statement of Net Position and Statement of Activities for 2019 and 2018:

Table 1

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2019	2018	2019	2018	2019
Current Assets	19,215,978	19,689,653	186,942	178,713	19,402,920	19,868,366
Capital Assets	24,197,751	23,231,645	2,247,641	2,200,636	26,445,392	25,432,281
Total Assets	43,413,729	42,921,298	2,434,583	2,379,349	45,848,312	45,300,647
Deferred Outflow of Resources	890,769	792,470	51,432	28,390	942,201	820,860
Current Liabilities	760,523	499,222	38,527	50,133	799,050	549,355
Long-Term Liabilities	23,136,178	21,840,853	83,178	62,561	23,219,356	21,903,414
Total Liabilities	23,896,701	22,340,075	121,705	112,694	24,018,406	22,452,769
Deferred Inflows of Resources	8,957,263	10,445,654	7,953	10,110	8,965,216	10,455,764
Net Position:						
Net Investment in Capital Assets	7,871,250	7,541,751	2,220,315	2,177,539	10,091,565	9,719,290
Restricted	124,435	138,724	-	-	124,435	138,724
Unrestricted	3,454,849	3,247,564	136,042	107,396	3,590,891	3,354,960
Total Net Position	11,450,534	10,928,039	2,356,357	2,284,935	13,806,891	13,212,974

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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2019**
**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	
	2018	2019	2018	2019	2018	2019
Charges for Services	1,782,917	1,780,336	231,129	230,600	2,014,046	2,010,936
Operating Grants/Contributions	5,143,093	5,019,848	-	-	5,143,093	5,019,848
Capital Grants/Contributions	-	496,056	9,801	13,000	9,801	509,056
Program Revenues	6,926,010	7,296,240	240,930	243,600	7,166,940	7,539,840
Taxes	13,459,184	12,098,359	-	-	13,459,184	12,098,359
Interest Income	138,902	143,375	-	-	138,902	143,375
Miscellaneous	235,850	176,525	12,900	-	248,750	176,525
Grants not restricted to program	922,019	905,828	-	-	922,019	905,828
General Revenues	14,755,955	13,324,087	12,900	-	14,768,855	13,324,087
Total Revenues	21,681,965	20,620,327	253,830	243,600	21,935,795	20,863,927
General Government	1,458,826	1,617,064	-	-	1,458,826	1,617,064
Judicial Administration	1,056,799	935,359	-	-	1,056,799	935,359
Public Safety	4,527,923	4,029,927	-	-	4,527,923	4,029,927
Public Works	1,874,082	2,069,853	-	-	1,874,082	2,069,853
Health and Welfare	3,439,152	3,579,973	-	-	3,439,152	3,579,973
Education	6,497,246	6,286,883	-	-	6,497,246	6,286,883
Parks, Recreation, Cultural	518,306	569,100	-	-	518,306	569,100
Community Development	1,127,597	1,160,240	-	-	1,127,597	1,160,240
Interest on long-term debt	452,581	538,345	-	-	452,581	538,345
Water authority	-	-	315,932	315,022	315,932	315,022
Total Expenses	20,952,512	20,786,744	315,932	315,022	21,268,444	21,101,766
Transfers	-	-	-	-	-	-
Change in Net Position	729,453	(166,417)	(62,102)	(71,422)	667,351	(237,839)
Beginning Net Position as restated	10,721,081	11,094,456	2,418,459	2,356,357	13,139,540	13,450,813
Ending Net Position	11,450,534	10,928,039	2,356,357	2,284,935	13,806,891	13,212,974

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2019

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### 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 \$7,939,064; \$138,724 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 \$1,363,058 has been committed by action of the Board of Supervisors and \$602,998 has been assigned by the Board of Supervisors. The remaining balance, \$5,684,842 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 \$7,199,330 of this amount \$5,684,842 was considered unassigned. The Economic Development Fund's entire fund balance of \$739,734 was committed.

Total governmental fund revenues decreased \$708,724 and expenditures decreased \$1,314,465 over prior fiscal year amounts. For fiscal year ended June 30, 2019, expenditures exceeded revenues and other financing sources by \$(828,917) as compared to the fiscal year ended June 30, 2018, when expenditures exceeded revenues and other financing sources by \$(1,434,638).

### 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 \$20,444,862 for fiscal year 2019. The actual revenues were \$20,956,513 which is a favorable variance of \$511,651. The budgeted expenditures were \$22,469,310 for the County. The actual expenditures were \$21,823,199 which is a favorable variance of \$646,111 which is attributed to savings in various departments.



MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2019

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### Capital Assets and Debt Administration

Capital assets - The County's investment in capital assets for its governmental funds activities as of June 30, 2019 amounts to \$23,231,645 (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, 2019 amounts to \$2,200,636 (net of accumulated depreciation). Additional information on the County of Grayson's capital assets can be found in Note 16 of this report.

### Long-term debt

The outstanding debt for governmental activities at June 30, 2019 is as follows:

	(As Restated)			
	Balance			Balance
	July 1, 2018	Issuances	Retirements	June 30, 2019
General obligation bonds	\$ 14,229,902	\$ -	\$ (660,591)	\$ 13,569,311
Premium on bond	1,975,120	-	(90,323)	1,884,797
Note Payable	50,000	-	(4,251)	45,749
Capital lease	585,206	-	(395,169)	190,037
Net pension liability (ERIP)	349,800	26,900	(18,400)	358,300
Net OPEB obligation	831,551	127,900	(206,901)	752,550
Compensated absences	538,823	543,503	(404,117)	678,209
Net pension liability	5,089,503	2,009,924	(2,737,527)	4,361,900
Total	<u>\$ 23,649,905</u>	<u>\$ 2,708,227</u>	<u>\$ (4,517,279)</u>	<u>\$ 21,840,853</u>

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

	Balance			Balance
	July 1, 2018	Issuances	Retirements	June 30, 2019
Revenue and GO bonds	\$ 27,326	\$ -	\$ (4,229)	\$ 23,097
Net OPEB Liabilities	7,843	415	(2,451)	5,807
Net Pension Liability (VRS)	48,009	15,458	(29,810)	33,657
Total	<u>\$ 83,178</u>	<u>\$ 15,873</u>	<u>\$ (36,490)</u>	<u>\$ 62,561</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2019

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**Economic Factors**

The unemployment rate for the County of Grayson, Virginia was on average 2.8% for fiscal year 2019. This is slightly below the state's average unemployment rate of 2.9% and slightly below the national average rate of 3.7%.

**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, 2019

	Primary Government			Component Unit
	Governmental	Business-type		
	Activities	Activities	Total	School Board
<b>ASSETS</b>				
Cash and cash equivalents	\$ 5,710,254	\$ 86,309	\$ 5,796,563	\$ 955,965
Restricted cash and cash equivalents - customers' deposits	-	27,778	27,778	-
Investments	1,082,800	28,025	1,110,825	-
Receivables (net of allowance for uncollectibles):				
Taxes receivable	11,311,049	-	11,311,049	-
Accounts receivable	664,072	36,000	700,072	206,703
Notes receivable	153,377	-	153,377	-
Due from primary government	-	-	-	17,240
Due from other governmental units	697,284	-	697,284	1,037,121
Prepaid items	70,817	601	71,418	160,925
Capital assets (net of accumulated depreciation):				
Land	911,038	10,648	921,686	142,233
Buildings, improvements, and systems	20,506,098	-	20,506,098	2,148,156
Machinery and equipment	1,313,754	18,026	1,331,780	1,441,370
Infrastructure	-	2,171,962	2,171,962	-
Construction in progress	500,755	-	500,755	-
Total assets	\$ 42,921,298	\$ 2,379,349	\$ 45,300,647	\$ 6,109,713
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension related items	\$ 733,293	\$ 27,907	\$ 761,200	\$ 1,840,815
OPEB related items	59,177	483	59,660	385,379
Total deferred outflows of resources	\$ 792,470	\$ 28,390	\$ 820,860	\$ 2,226,194
<b>LIABILITIES</b>				
Accounts payable	\$ 324,714	\$ 22,312	\$ 347,026	\$ 179,264
Accrued salaries	95,911	-	95,911	774,156
Customers' deposits	-	27,778	27,778	-
Accrued interest payable	61,357	43	61,400	-
Due to component unit	17,240	-	17,240	-
Long-term liabilities:				
Due within one year	1,392,809	3,942	1,396,751	256,061
Due in more than one year	20,448,044	58,619	20,506,663	16,756,969
Total liabilities	\$ 22,340,075	\$ 112,694	\$ 22,452,769	\$ 17,966,450
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred revenue - property taxes	\$ 9,643,284	\$ -	\$ 9,643,284	\$ -
Pension related items	653,580	8,962	662,542	2,786,974
OPEB related items	148,790	1,148	149,938	221,600
Total deferred inflows of resources	\$ 10,445,654	\$ 10,110	\$ 10,455,764	\$ 3,008,574
<b>NET POSITION</b>				
Net investment in capital assets	\$ 7,541,751	\$ 2,177,539	\$ 9,719,290	\$ 3,731,759
Restricted:				
DARE	1,892	-	1,892	-
Recreation	7,812	-	7,812	-
Special Law Enforcement	129,020	-	129,020	-
Unrestricted (deficit)	3,247,564	107,396	3,354,960	(16,370,876)
Total net position	\$ 10,928,039	\$ 2,284,935	\$ 13,212,974	\$ (12,639,117)

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, 2019

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating		Primary Government		Component Unit	
			Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	School Board
<b>PRIMARY GOVERNMENT:</b>								
Governmental activities:								
General government administration	\$ 1,617,064	\$ 42,327	\$ 221,730	\$ -	\$ (1,353,007)	\$ -	\$ (1,353,007)	\$ -
Judicial administration	935,359	35,830	624,794	-	(274,735)	-	(274,735)	-
Public safety	4,029,927	82,335	1,283,426	-	(2,664,166)	-	(2,664,166)	-
Public works	2,069,853	1,583,470	7,233	-	(479,150)	-	(479,150)	-
Health and welfare	3,579,973	-	2,882,665	-	(697,308)	-	(697,308)	-
Education	6,286,883	-	-	-	(6,286,883)	-	(6,286,883)	-
Parks, recreation, and cultural	569,100	36,374	-	16,042	(516,684)	-	(516,684)	-
Community development	1,160,240	-	-	480,014	(680,226)	-	(680,226)	-
Interest on long-term debt	538,345	-	-	-	(538,345)	-	(538,345)	-
Total governmental activities	\$ 20,786,744	\$ 1,780,336	\$ 5,019,848	\$ 496,056	\$ (13,490,504)	\$ -	\$ (13,490,504)	\$ -
<b>Business-type activities:</b>								
Public Service Authority	\$ 315,022	\$ 230,600	\$ -	\$ 13,000	\$ -	\$ (71,422)	\$ (71,422)	\$ -
Total primary government	\$ 21,101,766	\$ 2,010,936	\$ 5,019,848	\$ 509,056	\$ (13,490,504)	\$ (71,422)	\$ (13,561,926)	\$ -
<b>COMPONENT UNIT:</b>								
School Board	\$ 18,550,752	\$ 223,284	\$ 13,606,004	\$ -	\$ -	\$ -	\$ -	\$ (4,721,464)
Total component unit	\$ 18,550,752	\$ 223,284	\$ 13,606,004	\$ -	\$ -	\$ -	\$ -	\$ (4,721,464)
<b>General revenues:</b>								
General property taxes					\$ 10,825,412	\$ -	\$ 10,825,412	\$ -
<b>Other local taxes:</b>								
Local sales and use taxes					474,923	-	474,923	-
Consumers' utility taxes					344,112	-	344,112	-
Motor vehicle licenses					244,336	-	244,336	-
Other local taxes					209,576	-	209,576	-
Unrestricted revenues from use of money and property					143,375	-	143,375	10,800
Miscellaneous					176,525	-	176,525	197,831
Payment from Grayson County					-	-	-	6,266,549
Grants and contributions not restricted to specific programs					905,828	-	905,828	-
Total general revenues					\$ 13,324,087	\$ -	\$ 13,324,087	\$ 6,475,180
Change in net position					\$ (166,417)	\$ (71,422)	\$ (237,839)	\$ 1,753,716
Net position - beginning, as restated					11,094,456	2,356,357	13,450,813	(14,392,833)
Net position - ending					\$ 10,928,039	\$ 2,284,935	\$ 13,212,974	\$ (12,639,117)

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

County of Grayson, Virginia  
Balance Sheet  
Governmental Funds  
June 30, 2019

	<u>General</u>	<u>Economic Development</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 5,467,826	\$ 173,719	\$ 5,641,545
Investments	489,884	491,463	981,347
Receivables (net of allowance for uncollectibles):			
Taxes receivable	11,311,049	-	11,311,049
Accounts receivable	664,072	-	664,072
Notes receivable	78,825	74,552	153,377
Due from other governmental units	697,284	-	697,284
Prepaid items	70,617	-	70,617
Total assets	<u>\$ 18,779,557</u>	<u>\$ 739,734</u>	<u>\$ 19,519,291</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 324,714	\$ -	\$ 324,714
Accrued liabilities	95,911	-	95,911
Due to component unit	17,240	-	17,240
Total liabilities	<u>\$ 437,865</u>	<u>\$ -</u>	<u>\$ 437,865</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - prepaid taxes	\$ 57,036	\$ -	\$ 57,036
Unavailable revenue - property taxes	11,085,326	-	11,085,326
Total deferred inflows of resources	<u>\$ 11,142,362</u>	<u>\$ -</u>	<u>\$ 11,142,362</u>
<b>FUND BALANCES</b>			
Nonspendable:			
Prepaid items	\$ 70,617	\$ -	\$ 70,617
Long-term note receivable	78,825	-	78,825
Restricted:			
DARE	1,892	-	1,892
CDBG Program Income	7,812	-	7,812
Special Law Enforcement	129,020	-	129,020
Committed:			
Law Library	4,929	-	4,929
Courthouse Security	5,588	-	5,588
Courthouse Maintenance	4,194	-	4,194
School Capital Improvements	215,627	-	215,627
Economic Development	392,986	739,734	1,132,720
Assigned:			
Reassessment	106,000	-	106,000
Contingency	86,225	-	86,225
Capital Improvements	348,027	-	348,027
Sheriff	15,179	-	15,179
Treasurer	47,567	-	47,567
Unassigned	5,684,842	-	5,684,842
Total fund balances	<u>\$ 7,199,330</u>	<u>\$ 739,734</u>	<u>\$ 7,939,064</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 18,779,557</u>	<u>\$ 739,734</u>	<u>\$ 19,519,291</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, 2019

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	7,939,064
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land	\$ 911,038	
Buildings and system	20,506,098	
Machinery and equipment	1,313,754	
Construction in progress	<u>500,755</u>	23,231,645

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

Unavailable revenue - property taxes		1,499,078
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Internal service funds are used by management to charge the costs of certain activities, such as self insured health insurance plan, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.

170,362

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

Pension related items	\$ 733,293	
OPEB related items	<u>59,177</u>	792,470

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	\$ (13,569,311)	
Premium on bond issuance	(1,884,797)	
Note payable	(45,749)	
Capital lease	(190,037)	
Accrued interest payable	(61,357)	
Net OPEB liabilities	(752,550)	
Compensated absences	(678,209)	
Net pension liability - ERIP	(358,300)	
Net pension liability - VRS	<u>(4,361,900)</u>	(21,902,210)

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

Pension related items	\$ (653,580)	
OPEB related items	<u>(148,790)</u>	(802,370)

Net position of governmental activities	\$	<u><u>10,928,039</u></u>
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The notes to the financial statements are an integral part of this statement.

County of Grayson, Virginia  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2019

	<u>General</u>	<u>Economic Development</u>	<u>Total</u>
<b>REVENUES</b>			
General property taxes	\$ 10,769,991	\$ -	\$ 10,769,991
Other local taxes	1,272,947	-	1,272,947
Permits, privilege fees, and regulatory licenses	64,413	-	64,413
Fines and forfeitures	20,376	-	20,376
Revenue from the use of money and property	95,955	47,420	143,375
Charges for services	1,695,547	-	1,695,547
Miscellaneous	176,525	-	176,525
Recovered costs	439,027	-	439,027
Intergovernmental:			
Commonwealth	4,443,249	-	4,443,249
Federal	1,978,483	-	1,978,483
Total revenues	<u>\$ 20,956,513</u>	<u>\$ 47,420</u>	<u>\$ 21,003,933</u>
<b>EXPENDITURES</b>			
Current:			
General government administration	\$ 1,547,977	\$ -	\$ 1,547,977
Judicial administration	994,811	-	994,811
Public safety	4,411,831	-	4,411,831
Public works	1,808,399	-	1,808,399
Health and welfare	3,691,791	-	3,691,791
Education	5,283,822	-	5,283,822
Parks, recreation, and cultural	555,025	-	555,025
Community development	1,144,783	9,651	1,154,434
Capital projects	479,733	-	479,733
Debt service:			
Principal retirement	1,060,011	-	1,060,011
Interest and other fiscal charges	845,016	-	845,016
Total expenditures	<u>\$ 21,823,199</u>	<u>\$ 9,651</u>	<u>\$ 21,832,850</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (866,686)</u>	<u>\$ 37,769</u>	<u>\$ (828,917)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	\$ -	\$ 170,000	\$ 170,000
Transfers out	(170,000)	-	(170,000)
Total other financing sources (uses)	<u>\$ (170,000)</u>	<u>\$ 170,000</u>	<u>\$ -</u>
Net change in fund balances	\$ (1,036,686)	\$ 207,769	\$ (828,917)
Fund balances - beginning, as restated	8,236,016	531,965	8,767,981
Fund balances - ending	<u>\$ 7,199,330</u>	<u>\$ 739,734</u>	<u>\$ 7,939,064</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, 2019

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

Net change in fund balances - total governmental funds \$ (828,917)

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

Capital outlay	\$ 633,686	
Reversion of assets to the School Board, net	(384,625)	
Depreciation expense	<u>(1,215,167)</u>	(966,106)

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	55,421
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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.

Principal repayments:		
General obligation bonds	\$ 660,591	
Note payable	4,251	
Capital lease	<u>395,169</u>	1,060,011

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	\$ (139,386)	
Change in accrued interest payable	216,348	
Amortization of bond premium	90,323	
Change in net pension liability and related deferred items - ERIP	(33,300)	
Change in net pension liability and related deferred items - VRS	388,096	
Change in net OPEB liability and related deferred items	<u>(8,220)</u>	513,861

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.

(687)

Change in net position of governmental activities	<u><u>\$ (166,417)</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, 2019

	Enterprise Fund Public Service <u>Authority</u>	Internal Service <u>Fund</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 86,309	\$ 68,709
Restricted cash and cash equivalents - customers' deposits	27,778	-
Investments	28,025	101,453
Accounts receivables, net of allowance for uncollectibles	36,000	-
Prepaid expenses	601	200
Total current assets	<u>\$ 178,713</u>	<u>\$ 170,362</u>
Capital assets:		
Land	\$ 10,648	\$ -
Machinery and equipment	50,336	-
Infrastructure	3,674,073	-
Accumulated depreciation	(1,534,421)	-
Total capital assets	<u>\$ 2,200,636</u>	<u>\$ -</u>
Total assets	<u>\$ 2,379,349</u>	<u>\$ 170,362</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension related items	\$ 27,907	\$ -
OPEB related items	483	-
Total deferred outflows of resources	<u>\$ 28,390</u>	<u>\$ -</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 22,312	\$ -
Customers' deposits	27,778	-
Accrued interest payable	43	-
Bonds payable - current portion	3,942	-
Total current liabilities	<u>\$ 54,075</u>	<u>\$ -</u>
Noncurrent liabilities:		
Bonds payable - net of current portion	\$ 19,155	\$ -
Net pension liability	33,657	-
Net OPEB liabilities	5,807	-
Total noncurrent liabilities	<u>\$ 58,619</u>	<u>\$ -</u>
Total liabilities	<u>\$ 112,694</u>	<u>\$ -</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension related items	\$ 8,962	\$ -
OPEB related items	1,148	-
Total deferred inflows of resources	<u>\$ 10,110</u>	<u>\$ -</u>
<b>NET POSITION</b>		
Net investment in capital assets	\$ 2,177,539	\$ -
Unrestricted	107,396	170,362
Total net position	<u>\$ 2,284,935</u>	<u>\$ 170,362</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, 2019

	Enterprise Fund Public Service Authority	Internal Service Fund
<b>OPERATING REVENUES</b>		
Charges for services:		
Water revenues	\$ 230,600	\$ -
Insurance premiums	-	27,442
Total operating revenues	<u>\$ 230,600</u>	<u>\$ 27,442</u>
<b>OPERATING EXPENSES</b>		
Salaries and wages	\$ 59,943	\$ -
Employee benefits	27,450	-
Utilities	6,819	-
Professional services	9,403	-
Purchase of water	97,371	-
Materials and supplies	12,348	-
Travel	2,343	-
Maintenance services	4,021	-
Insurance claims and expenses	-	30,592
Miscellaneous	2,247	-
Depreciation	92,806	-
Total operating expenses	<u>\$ 314,751</u>	<u>\$ 30,592</u>
Operating income (loss)	<u>\$ (84,151)</u>	<u>\$ (3,150)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment income	\$ -	\$ 2,463
Interest expense	(271)	-
Total nonoperating revenues (expenses)	<u>\$ (271)</u>	<u>\$ 2,463</u>
Income before capital contributions and grants	<u>\$ (84,422)</u>	<u>\$ (687)</u>
Capital contributions and grants	<u>\$ 13,000</u>	<u>\$ -</u>
Change in net position	<u>\$ (71,422)</u>	<u>\$ (687)</u>
Total net position - beginning	2,356,357	171,049
Total net position - ending	<u><u>\$ 2,284,935</u></u>	<u><u>\$ 170,362</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, 2019

	Enterprise Fund Public Service Authority	Internal Service Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers and users	\$ 231,120	\$ -
Receipts for insurance premiums	-	27,442
Payments to suppliers	(124,798)	-
Payments to and for employees	(78,582)	-
Payments for insurance premiums	-	(30,792)
Net cash provided by (used for) operating activities	<u>\$ 27,740</u>	<u>\$ (3,350)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of capital assets	\$ (45,801)	\$ -
Principal payments on bonds	(4,229)	-
Contributions in aid of construction	13,000	-
Interest payments	(278)	-
Net cash provided by (used for) capital and related financing activities	<u>\$ (37,308)</u>	<u>\$ -</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest and dividends received	\$ -	\$ 2,463
Net cash provided by (used for) investing activities	<u>\$ -</u>	<u>\$ 2,463</u>
Net increase (decrease) in cash and cash equivalents	\$ (9,568)	\$ (887)
Cash and cash equivalents - beginning (includes investments of \$128,733 and restricted cash and cash equivalents of \$26,520)	151,680	171,049
Cash and cash equivalents - ending (includes investments of \$129,478 and restricted cash and cash equivalents of \$27,778)	<u>\$ 142,112</u>	<u>\$ 170,162</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>		
Operating income (loss)	\$ (84,151)	\$ (3,150)
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:		
Depreciation	\$ 92,806	\$ -
(Increase) decrease in accounts receivable	(238)	-
(Increase) decrease in prepaid expenses	(601)	(200)
Increase (decrease) in accounts payable	10,355	-
Increase (decrease) in customer deposits	1,258	-
Increase (decrease) in net pension liability	(14,352)	-
Increase (decrease) in net OPEB liabilities	(2,036)	-
Increase (decrease) in deferred inflows	2,157	-
(Increase) decrease in deferred outflows	23,042	-
Increase (decrease) in due to other funds	(500)	-
Total adjustments	<u>\$ 111,891</u>	<u>\$ (200)</u>
Net cash provided by (used for) operating activities	<u>\$ 27,740</u>	<u>\$ (3,350)</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, 2019

	Employee Early Retirement Incentive <u>Plan Trust</u>	Agency <u>Funds</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ -	\$ 387,043
Investments	46,503	51,783
Total assets	<u>\$ 46,503</u>	<u>\$ 438,826</u>
<b>LIABILITIES</b>		
Amounts held for social services clients	\$ -	\$ 8,275
Amounts held for Mt. Rogers Alcohol Safety Action Program	-	177,248
Amounts held for Grayson Regional Library	-	253,303
Total liabilities	<u>\$ -</u>	<u>\$ 438,826</u>
<b>NET POSITION</b>		
Held in trust for retirement plan	<u>\$ 46,503</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, 2019

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	Employee Early Retirement Incentive <u>Plan Trust</u>
<b>ADDITIONS</b>	
Investment earnings:	
Interest	\$ 1,601
Net increase in the fair market value of investments	1,632
Total investment earnings	<u>\$ 3,233</u>
Total additions	<u>\$ 3,233</u>
<b>DEDUCTIONS</b>	
Benefits	\$ 9,155
Administrative expenses	2,012
Total deductions	<u>\$ 11,167</u>
 Change in net position	 \$ (7,934)
Net position - beginning	54,437
Net position - ending	<u><u>\$ 46,503</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, 2019

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**Note 1-Summary of Significant Accounting Policies:**

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

**A. Financial Reporting Entity**

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

**Blended component units -**

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

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

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

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

**Related Organizations -** The County has no related organizations.

**Jointly Governed Organizations:**

1. The County, along with the Counties of Wythe, Bland, Carroll, and Smyth and the City of Galax, participates in supporting the Mount Rogers Community Services Board. For the fiscal year ended June 30, 2019, the County contributed \$41,200.
2. The County, along with the County of Wythe, participates in supporting the Wythe/Grayson Regional Library. For the fiscal year ended June 30, 2019, the County contributed \$300,249.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

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

A. Financial Reporting Entity (Continued)

Jointly Governed Organizations: (Continued)

3. The County, along with the County of Carroll and the City of Galax, participates in the Carroll-Grayson-Galax Solid Waste Authority. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. Operating expenses of the Authority are offset by user fees and no local contribution was required of the County for the fiscal year ended June 30, 2019.
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, 2019, the County contributed \$121,059.
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, 2019, 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, 2019, the County contributed \$50,799.
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 \$135,200. It is the hope of BRCEDA that this park project will be a catalyst for economic development in the region.

B. Government-wide and fund financial statements

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



NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

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

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

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

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

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

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

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

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

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

The County reports the following major governmental funds:

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

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

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

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

The County reports the following major proprietary funds:

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

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

Additionally, the County reports the following fund types:

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

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

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

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

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

1. Cash and Cash Equivalents and Investments

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

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

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

1. Cash and Cash Equivalents and Investments (continued)

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).

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 5<sup>th</sup>. Personal property taxes are due and collectible annually on June 5<sup>th</sup>. 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 \$130,512 at June 30, 2019 and is comprised \$116,677 of property taxes, \$3,086 of water billings, and \$10,749 for solid waste billings.

5. Use of Estimates

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

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

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**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)

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

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

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

7. Deferred Outflows/Inflows of Resources

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

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, 2<sup>nd</sup> half installments levied during the fiscal year but due after June 30<sup>th</sup>, and amounts prepaid on the 2<sup>nd</sup> half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2<sup>nd</sup> half installments levied during the fiscal year but due after June 30<sup>th</sup> and amounts prepaid on the 2<sup>nd</sup> 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.

**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 current accounting standards, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits. The County accrues salary-related payments associated with the payment of compensated absences. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements.

9. Pensions

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

10. Other Postemployment Benefits (OPEB)

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

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

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

11. Long-term obligations

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

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

12. Fund Balance

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

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

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

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

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

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

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

12. Fund Balance (Continued)

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.

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COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

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**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, 2019, there were no departments that had expenditures in excess of appropriations.

C. Deficit fund equity

At June 30, 2019, there were no funds with deficit fund equity.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

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**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, 2019 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, 2019 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**

<b>Rated Debt Investments</b>	<b>Fair Quality Ratings</b>		
	<b>AAAm</b>	<b>Unrated</b>	<b>Total</b>
Local Government Investment Pool (LGIP)	\$ 1,162,608	\$ -	\$ 1,162,608
Money Market Funds	2,899	-	2,899
Exchange Traded Fund (ETF)	-	43,604	43,604
<b>Total</b>	<b>\$ 1,165,507</b>	<b>\$ 43,604</b>	<b>\$ 1,209,111</b>

*Concentration of Credit Risk:* At June 30, 2019, the County did not have any investments meeting the definition requiring concentration of credit risk disclosures that exceeded 5% of total investments.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

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**Note 3-Deposits and Investments: (Continued)**

*Interest Rate Risk:*

Investment Maturities (in years)		
Investment Type	Fair Value	Less than 1 year
Local Government Investment Pool (LGIP)	\$ 1,162,608	\$ 1,162,608
Money Market Funds	2,899	2,899
Exchange Traded Fund (ETF)	43,604	43,604
Total	<u>\$ 1,209,111</u>	<u>\$ 1,209,111</u>

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

**Note 4-Fair Value Measurements:**

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

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

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

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

**Note 4-Fair Value Measurements: (Continued)**

The County has the following recurring fair value measurements as of June 30, 2019:

Investment	6/30/2019	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 Fund (ETF)	\$ 43,604	\$ 43,604	\$ -	\$ -
Money Market Funds	2,899	2,899	-	-
Total	\$ 46,503	\$ 46,503	\$ -	\$ -

**Note 5-Due from Other Governmental Units:**

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

	Primary Government	Component Unit School Board
<b><u>Commonwealth of Virginia:</u></b>		
Local sales tax	\$ 80,020	\$ -
Communications tax	51,535	-
State sales tax	-	257,842
Shared costs	149,985	-
Categorical aid	40,993	232,000
Noncategorical aid	12,321	-
Virginia public assistance funds	69,474	-
Children's services act	139,153	-
<b><u>Federal Government:</u></b>		
Virginia public assistance funds	97,844	-
Categorical aid	55,959	547,279
Totals	\$ 697,284	\$ 1,037,121

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

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

The following amounts represent interfund obligations at year end:

<u>Fund</u>	<u>Due from Primary Government/ Component Unit</u>	<u>Due to Primary Government/ Component Unit</u>
Primary Government:		
General Fund	<u>\$ -</u>	<u>\$ 17,240</u>
Component Unit - School Board:		
School Operating Fund	<u>\$ 17,240</u>	<u>\$ -</u>

Interfund transfers for the fiscal year ended June 30, 2019 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ -	\$ 170,000
Economic Development Fund	170,000	-
Total	<u>\$ 170,000</u>	<u>\$ 170,000</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, 2019

**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, 2019:

	(As Restated) Beginning Balance July 1, 2018	Increases/ Issuances	Decreases/ Retirements	Ending Balance June 30, 2019
Direct borrowings and direct placements:				
General obligation bonds	\$ 14,229,902	\$ -	\$ (660,591)	\$ 13,569,311
Premium on bond	1,975,120	-	(90,323)	1,884,797
Note payable	50,000	-	(4,251)	45,749
Capital lease	585,206	-	(395,169)	190,037
Net pension liability (ERIP)	349,800	26,900	(18,400)	358,300
Compensated absences	538,823	543,503	(404,117)	678,209
Net pension liability (VRS)	5,089,503	2,009,924	(2,737,527)	4,361,900
Net OPEB liabilities	831,551	127,900	(206,901)	752,550
Total	\$ 23,649,905	\$ 2,708,227	\$ (4,517,279)	\$ 21,840,853

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,	Direct Borrowings and Direct Placements			
	General Obligation Bonds		Note Payable	
	Principal	Interest	Principal	Interest
2020	\$ 691,422	\$ 344,732	\$ 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	830,116	420,498	5,053	740
2025-2029	4,493,071	1,447,092	21,932	1,377
2030-2034	5,290,000	480,338	-	-
Totals	\$13,569,311	\$ 4,191,577	\$ 45,749	\$ 6,527

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

**Note 7-Long-Term Obligations: (Continued)**

**Primary Government - Governmental Activities Obligations: (Continued)**

Details of long-term obligations:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Total Amount	Amount Due Within One Year
<b>Direct Borrowings and Direct Placements:</b>						
<i>General Obligation Bonds:</i>						
General obligation bonds - VPSA	5.10%	11/10/2005	2025	\$ 585,603	\$ 345,000	\$ 50,000
General obligation bonds - VPSA	5.10%	11/10/2005	2025	995,000	239,311	31,422
General obligation bonds - VPSA	3.05%-5.05%	5/9/2013	2034	15,670,000	12,985,000	610,000
Subtotal					<u>\$ 13,569,311</u>	<u>\$ 691,422</u>
Premium on bond				\$ 2,157,388	\$ 1,884,797	\$ 140,739
Total general obligation bonds					<u>\$ 15,454,108</u>	<u>\$ 832,161</u>
<i>Notes Payable:</i>						
Note Payable	3.00%	5/17/2018	2028	\$ 50,000	\$ 45,749	\$ 4,482
Total direct borrowings and direct placements					<u>\$ 15,499,857</u>	<u>\$ 836,643</u>
<b>Capital Leases:</b>						
Capital lease - Schools	0.00%	6/1/2017	2023	\$ 332,565	\$ 190,037	\$ 47,509
<b>Other Obligations:</b>						
Net pension liability (ERIP)					\$ 358,300	\$ -
Compensated absences					678,209	508,657
Net pension liability (VRS)					4,361,900	-
Net OPEB liabilities					752,550	-
Total other obligations					<u>\$ 6,150,959</u>	<u>\$ 508,657</u>
Total long-term obligations					<u>\$ 21,840,853</u>	<u>\$ 1,392,809</u>

**Default Provisions:**

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

**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, 2019:

	Beginning Balance July 1, 2018	Increases/ Issuances	Decreases/ Retirements	Ending Balance June 30, 2019
Direct borrowings and direct placements:				
Revenue Bond	\$ 27,326	\$ -	\$ (4,229)	\$ 23,097
Net pension liability (VRS)	48,009	15,458	(29,810)	33,657
Net OPEB liabilities	7,843	415	(2,451)	5,807
Total	<u>\$ 83,178</u>	<u>\$ 15,873</u>	<u>\$ (36,490)</u>	<u>\$ 62,561</u>

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

**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,	Direct Borrowings and Direct Placements	
	Revenue Bond	
	Principal	Interest
2020	\$ 3,942	\$ 975
2021	4,113	804
2022	4,292	625
2023	4,478	439
2024	4,672	245
2025	1,600	52
Totals	<u>\$ 23,097</u>	<u>\$ 3,140</u>

Details of long-term indebtedness:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Total Amount	Amount Due Within One Year
<b><u>Direct Borrowings and Direct Placements:</u></b>						
<i>Revenue Bonds:</i>						
Water revenue bond	4.25%	2/5/2015	2025	\$ 40,000	\$ 23,097	\$ 3,942
Total revenue bonds					\$ 23,097	\$ 3,942
Total direct borrowings and direct placements					\$ 23,097	\$ 3,942
<b><u>Other Obligations:</u></b>						
Net pension liability (VRS)					\$ 33,657	\$ -
Net OPEB liabilities					5,807	-
Total other obligations					\$ 39,464	\$ -
Total long-term obligations					<u>\$ 62,561</u>	<u>\$ 3,942</u>



COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

**Note 7-Long-Term Obligations: (Continued)**

**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, 2019:

	Beginning Balance July 1, 2018	Increases/ Issuances	Decreases/ Retirements	Ending Balance June 30, 2019
Early retirement incentive plan	\$ 70,590	\$ -	\$ (29,958)	\$ 40,632
Compensated absences	316,305	230,913	(237,229)	309,989
Net pension liability (VRS)	14,021,569	4,374,586	(5,165,946)	13,230,209
Net OPEB liabilities	3,622,900	411,700	(602,400)	3,432,200
<b>Total</b>	<b>\$ 18,031,364</b>	<b>\$ 5,017,199</b>	<b>\$ (6,035,533)</b>	<b>\$ 17,013,030</b>

Details of long-term obligations:

	Total Amount	Amount Due Within One Year
<b>Other Obligations:</b>		
Early retirement incentive plan	\$ 40,632	\$ 23,569
Compensated absences	309,989	232,492
Net pension liability (VRS)	13,230,209	-
Net OPEB liabilities	3,432,200	-
<b>Total long-term obligations</b>	<b>\$ 17,013,030</b>	<b>\$ 256,061</b>

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COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

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**Note 8-Capital Leases:**

Primary Government:

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

The assets acquired through the capital lease is as follows:

Schools Network Refresh	\$	332,565
Less: Accumulated depreciation		(33,256)
Net capital assets	\$	<u>299,309</u>

The future minimum lease obligation and the net present value of the minimum lease payments as of June 30, 2019, are as follows:

Year Ending June 30,	Capital Leases
2020	\$ 47,509
2021	47,509
2022	47,509
2023	<u>47,510</u>
Sub-total	\$ 190,037
Less: Amount representing interest	<u>-</u>
Present Value of Lease Agreements	\$ <u>190,037</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

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**Note 9-Pension Plan:**

***Plan Description***

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

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

***Benefit Structures***

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

- a. Employees hired before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of creditable service or age 50 with at least 30 years of creditable service. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of creditable service or age 50 with at least 10 years of creditable service. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) are eligible for an unreduced benefit beginning at age 60 with at least 5 years of creditable service or age 50 with at least 25 years of creditable service. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of creditable service.
- b. Employees hired on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013 are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of creditable service or when the sum of their age and service equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of creditable service or age 50 with at least 25 years of creditable service. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of creditable service.

**Note 9—Pension Plan: (Continued)**

***Benefit Structures (Continued)***

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

***Average Final Compensation and Service Retirement Multiplier***

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total creditable service. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.7% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.7% or 1.85% for hazardous duty employees as elected by the employer. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.7% or 1.85% for hazardous duty employees as elected by the employer. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

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**Note 9—Pension Plan: (Continued)**

***Contributions***

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

The County’s contractually required employer contribution rate for the year ended June 30, 2019 was 14.61% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were \$644,726 and \$677,569 for the years ended June 30, 2019 and June 30, 2018, respectively.

***Net Pension Liability***

At June 30, 2019, the County reported a liability of \$4,395,557 for its proportionate share of the net pension liability. The County’s net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2017 and rolled forward to the measurement date of June 30, 2018. In order to allocate the net pension liability to all employers included in the plan, the County is required to determine its proportionate share of the net pension liability. Creditable compensation as of June 30, 2018 and 2017 was used as a basis for allocation to determine the County’s proportionate share of the net pension liability. At June 30, 2018 and 2017, the County’s proportion was 97.36% and 97.40%, respectively.

***Actuarial Assumptions - General Employees***

The total pension liability for General Employees in the County of Grayson’s Retirement Plan and the Component Unit School Board’s (nonprofessional) Retirement Plan was based on an actuarial valuation as of June 30, 2017, 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, 2018.

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, 2019

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**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.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

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**Note 9—Pension Plan: (Continued)**

***Actuarial Assumptions - General Employees (Continued)***

The actuarial assumptions used in the June 30, 2017 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 County's Retirement Plan was based on an actuarial valuation as of June 30, 2017, 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, 2018.

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, 2019

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**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, 2019

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**Note 9—Pension Plan: (Continued)**

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

The actuarial assumptions used in the June 30, 2017 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%

***Long-Term Expected Rate of Return***

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

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

**Note 9—Pension Plan: (Continued)**

***Long-Term Expected Rate of Return***

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 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. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the County and Component Unit School Board (nonprofessional) was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2018, the alternate rate was the employer contribution rate used in FY2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2015 actuarial valuations, whichever was greater. Through the fiscal year ended June 30, 2018, the rate contributed by the school division for the VRS Teacher Retirement Plan was subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, participating employers and school divisions are assumed to continue to contribute 100% of the actuarially determined contribution rates.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

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**Note 9—Pension Plan: (Continued)**

***Discount Rate (Continued)***

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:

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
	<u>(6.00%)</u>	<u>Discount Rate</u>	<u>(8.00%)</u>
		<u>(7.00%)</u>	
County's proportionate share of the			
County of Grayson's Retirement Plan			
Net Pension Liability (Asset)	\$ 7,080,329	\$ 4,395,557	\$ 2,143,094

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

For the year ended June 30, 2019, the County recognized pension expense of \$260,102. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

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COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

**Note 9—Pension Plan: (Continued)**

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

At June 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Primary Government</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 11,792	\$ 490,777
Change in assumptions	-	2,267
Net difference between projected and actual earnings on pension plan investments	-	152,198
Changes in proportion and differences between employer contributions and proportionate share of contributions	56,482	-
Employer contributions subsequent to the measurement date	644,726	-
Total	\$ 713,000	\$ 645,242

\$644,726 reported as deferred outflows of resources related to pensions resulting from the County's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2020. 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:

<b>Year Ended June 30</b>	<b>Primary Government</b>
2020	\$ (143,416)
2021	(205,315)
2022	(213,522)
2023	(14,715)
2024	-
Thereafter	-

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

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**Note 9—Pension Plan: (Continued)**

***Pension Plan Data***

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report-pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

**Component Unit School Board (nonprofessional)**

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

***Employees Covered by Benefit Terms***

As of the June 30, 2017 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<b><u>Component Unit School Board Nonprofessional</u></b>
Inactive members or their beneficiaries currently receiving benefits	48
Inactive members:	
Vested inactive members	10
Non-vested inactive members	10
Inactive members active elsewhere in VRS	13
Total inactive members	33
Active members	58
Total covered employees	139

***Contributions***

The Component Unit School Board's contractually required employer contribution rate for nonprofessional employees for the year ended June 30, 2019 was 6.23% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

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**Note 9—Pension Plan:** (Continued)

**Component Unit School Board (nonprofessional)** (Continued)

***Contributions (Continued)***

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Grayson County School Board's nonprofessional employees were \$54,851 and \$63,092 for the years ended June 30, 2019 and June 30, 2018, respectively.

***Net Pension Liability***

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. The Component Unit School Board's (nonprofessional) net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2017, rolled forward to the measurement date of June 30, 2018.

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COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

**Note 9—Pension Plan: (Continued)**

**Component Unit School Board (nonprofessional) (Continued)**

***Changes in Net Pension Liability***

	Component Unit - School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2017	\$ 5,619,489	\$ 5,535,920	\$ 83,569
Changes for the year:			
Service cost	\$ 109,951	\$ -	\$ 109,951
Interest	382,342	-	382,342
Benefit changes	-	-	-
Differences between expected and actual experience	(48,254)	-	(48,254)
Assumption changes	-	-	-
Contributions - employer	-	15,893	(15,893)
Contributions - employee	-	17,050	(17,050)
Net investment income	-	402,454	(402,454)
Benefit payments, including refunds of employee contributions	(314,932)	(314,932)	-
Administrative expenses	-	(3,647)	3,647
Other changes	-	(351)	351
Net changes	\$ 129,107	\$ 116,467	\$ 12,640
Balances at June 30, 2018	\$ 5,748,596	\$ 5,652,387	\$ 96,209

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

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

	Current		
	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Component Unit School Board (nonprofessional)			
Net Pension Liability (Asset)	\$ 738,004	\$ 96,209	\$ (450,262)

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

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**Note 9—Pension Plan: (Continued)**

**Component Unit School Board (nonprofessional) (Continued)**

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

For the year ended June 30, 2019, the Component Unit School Board (nonprofessional) recognized pension expense of (\$93,774). At June 30, 2019, the Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Component Unit-School Board (nonprofessional)</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 63,944
Change in assumptions	-	7,552
Net difference between projected and actual earnings on pension plan investments	-	47,478
Employer contributions subsequent to the measurement date	<u>54,851</u>	<u>-</u>
Total	<u>\$ 54,851</u>	<u>\$ 118,974</u>

\$54,851 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, 2020.



COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

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**Note 9—Pension Plan: (Continued)**

**Component Unit School Board (nonprofessional) (Continued)**

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

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

<u>Year Ended June 30</u>	<u>Component Unit School Board (nonprofessional)</u>
2020	\$ (46,288)
2021	(10,507)
2022	(57,189)
2023	(4,990)
2024	-
Thereafter	-

**Component Unit School Board (professional)**

***Plan Description***

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

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

***Contributions***

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each school division's contractually required employer contribution rate for the year ended June 30, 2019 was 15.68% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the school division were \$1,332,964 and \$1,442,354 for the years ended June 30, 2019 and June 30, 2018, respectively.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

**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, 2019, the school division reported a liability of \$13,134,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2018 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, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the school division's proportion was 0.11168% as compared to 0.11334% at June 30, 2017.

For the year ended June 30, 2019, the school division recognized pension expense of \$409,372. 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, 2019, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Component Unit-School Board (professional)</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 1,123,000
Change in assumptions	157,000	-
Net difference between projected and actual earnings on pension plan investments	-	279,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	296,000	1,266,000
Employer contributions subsequent to the measurement date	1,332,964	-
Total	\$ <u>1,785,964</u>	\$ <u>2,668,000</u>

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

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**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)***

\$1,332,964 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30</u>	<u>Component Unit School Board (professional)</u>
2020	\$ (561,000)
2021	(699,000)
2022	(724,000)
2023	(161,000)
2024	(70,000)
Thereafter	-

***Actuarial Assumptions***

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2017, 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, 2018.

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, 2019

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**Note 9—Pension Plan: (Continued)**

**Component Unit School Board (professional) (Continued)**

***Actuarial Assumptions (Continued)***

Mortality rates:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 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

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

**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, 2018, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

		<b>Teacher Employee Retirement Plan</b>
Total Pension Liability	\$	46,679,555
Plan Fiduciary Net Position		34,919,563
Employers' Net Pension Liability (Asset)	\$	<u>11,759,992</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		74.81%

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

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

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

The following presents the school division's proportionate share of the net pension liability using the discount rate of 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:

	<b>1% Decrease (6.00%)</b>	<b>Current Discount Rate (7.00%)</b>	<b>1% Increase (8.00%)</b>
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset)	\$ 20,062,000	\$ 13,134,000	\$ 7,399,000

# COUNTY OF GRAYSON, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2019

### 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 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

### Note 10—Aggregate Pension Information:

#### *Primary Government and Component Unit School Board:*

	Primary Government				Component Unit School Board			
	Deferred Outflows	Deferred Inflows	Net Pension Liability (Asset)	Pension Expense	Deferred Outflows	Deferred Inflows	Net Pension Liability (Asset)	Pension Expense
County ERIP Plan:	\$ 48,200	\$ 17,300	\$ 358,300	\$ 33,300	\$ -	\$ -	\$ -	\$ -
VRS Pension Plans:								
Primary Government	713,000	645,242	4,395,557	260,102	-	-	-	-
School Board Nonprofessional	-	-	-	-	54,851	118,974	96,209	(93,774)
School Board Professional	-	-	-	-	1,785,964	2,668,000	13,134,000	409,372
Totals	<u>\$ 761,200</u>	<u>\$ 662,542</u>	<u>\$ 4,753,857</u>	<u>\$ 293,402</u>	<u>\$ 1,840,815</u>	<u>\$ 2,786,974</u>	<u>\$ 13,230,209</u>	<u>\$ 315,598</u>

### Note 11—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.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

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

**Primary Government - County (Continued)**

**Contributions**

The County does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the County. The amount paid by the County for OPEB as the benefits came due during the year ended June 30, 2019 was \$3,310.

**Actuarial Assumptions**

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

Discount Rate	3.62%
Salary Scale	Future salaries are assumed to increase 2.50% annually
Healthcare Cost Trend Rate	7.00% for 2019, decreasing by 0.50% per year to an ultimate rate of 5.00%
Actuarial Cost Method	Entry Age Actuarial Cost Method
Participation	45% of active employees are assumed to elect coverage in retirement, 33% of their spouses are assumed to elect coverage in retirement; 100% of actives who become disabled are assumed to elect coverage

Mortality rates for Active employees and healthy retirees were based on a RP-2014 Mortality Table fully generational with base year 2006, projected using two-dimensional mortality improvement scale MP-2018.

**Discount Rate**

The discount rate used to measure the total OPEB liability was 3.62% and represents the Municipal GO AA 20-year yield curve rate as of July 1, 2018.

**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 (2.62%) or one percentage point higher (4.62%) than the current discount rate:

Discount Rate		
1% Decrease 2.62%	Current 3.62%	1% Increase 4.62%
\$ 448,646	\$ 407,852	\$ 371,146

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

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

**Primary Government - County (Continued)**

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

The following amounts present the total OPEB liability of the County, as well as what the total OPEB liability would be if it were calculated using healthcare trend rates that are one percentage point lower (6.00% decreasing by 0.50% annually to an ultimate rate of 4.00%) or one percentage point higher (8.00% decreasing by 0.50% annually to an ultimate rate of 6.00%) than the current healthcare trend rates:

Healthcare Cost Trend Rate		
1% Decrease (6.00% decreasing to 4.00%)	Current (7.00% decreasing to 5.00%)	1% Increase (8.00% decreasing to 6.00%)
\$ 360,534	\$ 407,852	\$ 463,446

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

At June 30, 2019, the County reported a liability of \$407,852 for its proportionate share of the total OPEB Liability. The total OPEB Liability was measured as of July 1, 2018 and determined by an actuarial valuation as of July 1, 2018. At June 30, 2019 and 2018, the County's proportion was 97.36% and 97.40%, respectively.

For the year ended June 30, 2019, the County recognized OPEB expense in the amount of \$29,209.

At June 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 111,091
Change in assumptions	-	6,718
Net difference between projected and actual earnings on OPEB plan investments	-	-
Employer contributions subsequent to the measurement date	3,310	-
Total	\$ 3,310	\$ 117,809

\$3,310 reported as deferred outflows of resources related to OPEB resulting from the County's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the fiscal year ending June 30, 2020.



COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

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

**Primary Government - County (Continued)**

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

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

<u>Year Ended June 30</u>	<u>Primary Government</u>
2020	\$ (25,509)
2021	(25,509)
2022	(25,509)
2023	(25,509)
2024	(15,773)
Thereafter	-

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

**Discretely Presented Component Unit - School Board**

***Plan Description***

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

***Benefits Provided***

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

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

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

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

**Discretely Presented Component Unit - School Board (Continued)**

***Plan Membership***

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

Inactive employees or beneficiaries currently receiving benefits	17
Active employees	267
	<hr/>
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, 2019 was \$150,200.

***Total OPEB Liability***

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

***Actuarial Assumptions***

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

Discount Rate	3.62%
Salary Scale	Future salaries are assumed to increase 2.50% annually
Healthcare Cost Trend Rate	7.00% for 2019, decreasing by 0.50% per year to an ultimate rate of 5.00%
Actuarial Cost Method	Entry Age Actuarial Cost Method
Participation	40% of active employees are assumed to elect coverage in retirement, 20% of their spouses are assumed to elect coverage in retirement

Mortality rates for Active employees and healthy retirees were based on a RP-2014 Mortality Table fully generational with base year 2006, projected using two-dimensional mortality improvement scale MP-2018.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

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

**Discretely Presented Component Unit - School Board (Continued)**

***Discount Rate***

The discount rate used to measure the total OPEB liability was 3.62% and represents the Municipal GO AA 20-year yield curve rate as of July 1, 2018.

***Changes in Total OPEB Liability***

Balances at July 1, 2018	\$	1,378,900
Changes for the year:		
Service cost	\$	52,400
Interest		48,300
Difference between expected and actual experience		(7,300)
Contributions - employer		(150,200)
Other changes		(91,900)
Net changes	\$	(148,700)
Balances at June 30, 2019	\$	<u>1,230,200</u>

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

The following amounts present the total OPEB liability of the School Board, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.62%) or one percentage point higher (4.62%) than the current discount rate:

Discount Rate		
1% Decrease 2.62%	Current 3.62%	1% Increase 4.62%
\$ 1,326,600	\$ 1,230,200	\$ 1,141,400

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

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

Healthcare Cost Trend Rate		
1% Decrease (6.00% decreasing to 4.00%)	Current (7.00% decreasing to 5.00%)	1% Increase (8.00% decreasing to 6.00%)
\$ 1,114,800	\$ 1,230,200	\$ 1,364,700

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

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

**Discretely Presented Component Unit - School Board (Continued)**

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

For the year ended June 30, 2019, the School Board recognized OPEB expense in the amount of \$88,900. At June 30, 2019, the School Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 6,100
Change in assumptions	-	76,500
Employer contributions subsequent to the measurement date	150,200	-
Total	<u>\$ 150,200</u>	<u>\$ 82,600</u>

\$150,200 reported as deferred outflows of resources related to OPEB resulting from the School Board's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended June 30</u>	<u>Component Unit School Board</u>
2020	\$ (16,600)
2021	(16,600)
2022	(16,600)
2023	(16,600)
2024	(16,200)
Thereafter	-

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

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

***Plan Description***

The Group Life Insurance (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. All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS GLI 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 GLI benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional GLI 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 GLI Program OPEB.

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

***Eligible Employees***

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

***Benefit Amounts***

The GLI Program is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of creditable service, the minimum benefit payable was set at \$8,000 by statute. The amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and was increased to \$8,279 effective July 1, 2018.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

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

***Contributions***

The contribution requirements for the GLI 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 GLI 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% ( $1.31\% \times 60\%$ ) and the employer component was 0.52% ( $1.31\% \times 40\%$ ). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2019 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability.

Contributions to the Group Life Insurance Program from the County were \$23,247 and \$22,476 for the years ended June 30, 2019 and June 30, 2018, respectively.

Contributions to the Group Life Insurance Program from the Component Unit School Board (nonprofessional) were \$4,819 and \$4,985 for the years ended June 30, 2019 and June 30, 2018, respectively.

Contributions to the Group Life Insurance Program from the Component Unit School Board (professional) were \$45,156 and \$46,684 for the years ended June 30, 2019 and June 30, 2018, respectively.

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

**Primary Government**

At June 30, 2019, the entity reported a liability of \$350,505 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2018 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 GLI Program for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the participating employer's proportion was 0.02305% as compared to 0.02235% at June 30, 2017.

For the year ended June 30, 2019, the participating employer recognized GLI OPEB expense of \$6,815. 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, 2019

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**Note 12-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 GLI Program OPEB (continued)***

**Component Unit School Board (nonprofessional)**

At June 30, 2019, the entity reported a liability of \$77,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2018 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 GLI Program for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the participating employer's proportion was 0.00503% as compared to 0.00575% at June 30, 2017.

For the year ended June 30, 2019, the participating employer 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.

**Component Unit School Board (professional)**

At June 30, 2019, the entity reported a liability of \$717,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2018 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 GLI Program for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the participating employer's proportion was 0.04718% as compared to 0.04826% at June 30, 2017.

For the year ended June 30, 2019, the participating employer recognized GLI OPEB expense of \$6,000. 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, 2019

**Note 12-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 GLI Program OPEB (continued)***

At June 30, 2019, 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	\$ 17,525	\$ 5,842	\$ 4,000	\$ 2,000	\$ 35,000	\$ 13,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	11,683	-	2,000	-	23,000
Change in assumptions	-	14,604	-	3,000	-	30,000
Changes in proportion	15,578	-	-	10,000	17,000	15,000
Employer contributions subsequent to the measurement date	23,247	-	4,819	-	45,156	-
Total	\$ 56,350	\$ 32,129	\$ 8,819	\$ 17,000	\$ 97,156	\$ 81,000

\$23,247, \$4,819, and \$45,156 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2020. 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)
2020	\$ (973)	\$ (3,000)	\$ (10,000)
2021	(973)	(3,000)	(10,000)
2022	(973)	(3,000)	(10,000)
2023	-	(2,000)	(3,000)
2024	2,921	(2,000)	-
Thereafter	972	-	4,000



COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

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**Note 12-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, 2017, 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, 2018. The assumptions include several employer groups as noted below. Mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

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.

**Mortality Rates - Teachers**

**Pre-Retirement:**

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

**Post-Retirement:**

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

**Post-Disablement:**

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

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

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

**Actuarial Assumptions (continued)**

The actuarial assumptions used in the June 30, 2017 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

**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, 2017 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%

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

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**Note 12-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, 2017 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%

**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.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

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

***Actuarial Assumptions (continued)***

**Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees (continued)**

The actuarial assumptions used in the June 30, 2017 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%

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

**Pre-Retirement:**

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

**Post-Retirement:**

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

**Post-Disablement:**

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

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

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

**Actuarial Assumptions (continued)**

**Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees (continued)**

The actuarial assumptions used in the June 30, 2017 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%

**Net GLI OPEB Liability**

The net OPEB liability (NOL) for the GLI Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2018, NOL amounts for the GLI Program are as follows (amounts expressed in thousands):

		<b>GLI OPEB Program</b>
Total GLI OPEB Liability	\$	3,113,508
Plan Fiduciary Net Position		1,594,773
Employers' Net GLI OPEB Liability (Asset)	\$	<u>1,518,735</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		51.22%

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019**Note 12-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:

<b>Asset Class (Strategy)</b>	<b>Target Allocation</b>	<b>Arithmetic Long-term Expected Rate of Return</b>	<b>Weighted Average Long-term Expected Rate of Return</b>
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%
<b>Total</b>	<b>100.00%</b>		<b>4.80%</b>
		Inflation	2.50%
		*Expected arithmetic nominal return	<b>7.30%</b>

\*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 ended June 30, 2018, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

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

***Discount Rate (continued)***

Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

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

The following presents the employer's proportionate share of the net GLI OPEB liability using the discount rate of 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 GLI Program Net OPEB Liability	\$ 457,604	\$ 350,505	\$ 262,879
Component Unit School Board's (nonprofessional) proportionate share of the GLI Program Net OPEB Liability	100,000	77,000	58,000
Component Unit School Board's (professional) proportionate share of the GLI Program Net OPEB Liability	937,000	717,000	538,000

***GLI Program Fiduciary Net Position***

Detailed information about the GLI Program's Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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

***Plan Description***

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. All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Employee HIC 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 HIC is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

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

***Eligible Employees***

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

***Benefit Amounts***

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

***HIC Program Notes***

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



NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

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**Note 13-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, 2019 was 1.20% of covered employee compensation for employees in the VRS Teacher Employee HIC Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the school division to the VRS Teacher Employee HIC Program were \$104,204 and \$110,427 for the years ended June 30, 2019 and June 30, 2018, respectively.

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

At June 30, 2019, the school division reported a liability of \$1,408,000 for its proportionate share of the VRS Teacher Employee HIC Program Net OPEB Liability. The Net VRS Teacher Employee HIC Program OPEB Liability was measured as of June 30, 2018 and the total VRS Teacher Employee HIC Program OPEB liability used to calculate the Net VRS Teacher Employee HIC Program OPEB Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net VRS Teacher Employee HIC Program OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee HIC Program OPEB plan for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the school division's proportion of the VRS Teacher Employee HIC Program was 0.11093% as compared to 0.11281% at June 30, 2017.

For the year ended June 30, 2019, the school division recognized VRS Teacher Employee HIC Program OPEB expense of \$117,000. Since there was a change in proportionate share between measurement dates, a portion of the VRS Teacher Employee HIC Program Net OPEB expense was related to deferred amounts from changes in proportion.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

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

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

At June 30, 2019, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee HIC Program OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 7,000
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	-	1,000
Change in assumptions	-	12,000
Change in proportion	25,000	21,000
Employer contributions subsequent to the measurement date	<u>104,204</u>	<u>-</u>
Total	\$ <u>129,204</u>	\$ <u>41,000</u>

\$104,204 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, 2020.

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>	
2020	\$ (2,000)
2021	(2,000)
2022	(2,000)
2023	(1,000)
2024	(1,000)
Thereafter	(8,000)

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

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

***Actuarial Assumptions***

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee HIC Program was based on an actuarial valuation as of June 30, 2017, 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, 2018.

Inflation	2.5%
Salary increases, including inflation	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.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

**Note 13- 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, 2017 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
Withdrawal Rates	Adjusted rates to better fit experience at each year age
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 HIC 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, 2018, NOL amounts for the VRS Teacher Employee HIC Program is as follows (amounts expressed in thousands):

		<b>Teacher Employee HIC OPEB Plan</b>
		<hr/>
Total Teacher Employee HIC OPEB Liability	\$	1,381,313
Plan Fiduciary Net Position		111,639
Teacher Employee net HIC OPEB Liability (Asset)	\$	<hr/> <hr/> 1,269,674
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability		8.08%

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, 2019**Note 13- 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	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, 2019

**Note 13- 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 ended June 30, 2018, the rate contributed by each school division for the VRS Teacher Employee HIC Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee HIC OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total Teacher Employee HIC OPEB liability.

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

The following presents the school division's proportionate share of the VRS Teacher Employee HIC Program net HIC OPEB liability using the discount rate of 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 (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan Net HIC OPEB Liability	\$ 1,573,000	\$ 1,408,000	\$ 1,268,000

***Teacher Employee HIC OPEB Fiduciary Net Position***

Detailed information about the VRS Teacher Employee HIC Program's Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-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, 2019

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

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

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

The current-year OPEB expense/expenditure for the insured benefits is defined as the amount of premiums or other payments required for the insured benefits for the reporting period in accordance with the agreement with the insurance company for LODA and a change in liability to the insurer equal to the difference between amounts recognized as OPEB expense and amounts paid by the employer to the insurer. The County's LODA coverage is fully covered or "insured" through VACORP. This is built into the LODA coverage cost presented in the annual renewals. The County's LODA premium for the year ended June 30, 2019 was \$24,320.

**Note 15-OPEB Summary:**

	Primary Government				Component Unit School Board			
	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense
Stand Alone OPEB Plan (Note 11):								
County	\$ 3,310	\$ 117,809	\$407,852	\$29,209	\$ -	\$ -	\$ -	\$ -
School Board	-	-	-	-	150,200	82,600	1,230,200	88,900
VRS OPEB Plans:								
GLI Program (Note 12)								
County	56,350	32,129	350,505	6,815	-	-	-	-
School Board Nonprofessional	-	-	-	-	8,819	17,000	77,000	(1,000)
School Board Professional	-	-	-	-	97,156	81,000	717,000	6,000
Teacher HIC Program (Note 13)	-	-	-	-	129,204	41,000	1,408,000	117,000
Totals	<u>\$59,660</u>	<u>\$ 149,938</u>	<u>\$758,357</u>	<u>\$36,024</u>	<u>\$385,379</u>	<u>\$221,600</u>	<u>\$3,432,200</u>	<u>\$210,900</u>

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

**Note 16-Capital Assets:**

Capital asset activity for the year ended June 30, 2019 was as follows:

Primary Government:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 911,038	\$ -	\$ -	\$ 911,038
Construction in progress	364,055	136,700	-	500,755
Total capital assets not being depreciated	<u>\$ 1,275,093</u>	<u>\$ 136,700</u>	<u>\$ -</u>	<u>\$ 1,411,793</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 28,178,824	\$ -	\$ -	\$ 28,178,824
Machinery and equipment	4,219,818	496,986	(660,155)	4,056,649
Total capital assets being depreciated	<u>\$ 32,398,642</u>	<u>\$ 496,986</u>	<u>\$ (660,155)</u>	<u>\$ 32,235,473</u>
Accumulated depreciation:				
Buildings and improvements	\$ (6,933,238)	\$ (739,488)	\$ -	\$ (7,672,726)
Machinery and equipment	(2,542,746)	(475,679)	275,530	(2,742,895)
Total accumulated depreciation	<u>\$ (9,475,984)</u>	<u>\$ (1,215,167)</u>	<u>\$ 275,530</u>	<u>\$ (10,415,621)</u>
Total capital assets being depreciated, net	<u>\$ 22,922,658</u>	<u>\$ (718,181)</u>	<u>\$ (384,625)</u>	<u>\$ 21,819,852</u>
Governmental activities capital assets, net	<u>\$ 24,197,751</u>	<u>\$ (581,481)</u>	<u>\$ (384,625)</u>	<u>\$ 23,231,645</u>

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COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

**Note 16-Capital Assets: (Continued)**

Primary Government: (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 10,648	\$ -	\$ -	\$ 10,648
Capital assets, being depreciated:				
Infrastructure	\$ 3,646,298	\$ 27,775	\$ -	\$ 3,674,073
Machinery and equipment	32,310	18,026	-	50,336
Total capital assets being depreciated	\$ 3,678,608	\$ 45,801	\$ -	\$ 3,724,409
Accumulated depreciation:				
Infrastructure	\$ (1,409,305)	\$ (92,806)	\$ -	\$ (1,502,111)
Machinery and equipment	(32,310)	-	-	(32,310)
Total accumulated depreciation	\$ (1,441,615)	\$ (92,806)	\$ -	\$ (1,534,421)
Total capital assets being depreciated, net	\$ 2,236,993	\$ (47,005)	\$ -	\$ 2,189,988
Business-type activities capital assets, net	\$ 2,247,641	\$ (47,005)	\$ -	\$ 2,200,636

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

Governmental Activities:

General government administration	\$ 107,088
Judicial administration	1,794
Public safety	165,556
Public works	155,913
Health and welfare	26,163
Education	618,435
Parks, recreation, and cultural	64,116
Community development	76,102

Total depreciation expense-governmental activities \$ 1,215,167

Business-type activities:

Water	\$ 92,806
Total depreciation expense-business-type activities	<u>\$ 92,806</u>

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

**Note 16-Capital Assets: (Continued)**

Capital asset activity for the School Board for the year ended June 30, 2019 was as follows:

Discretely Presented Component Unit:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 144,690	\$ -	\$ (2,457)	\$ 142,233
Capital assets, being depreciated:				
Buildings and improvements	\$ 13,520,460	\$ 311,910	\$ (242,067)	\$ 13,590,303
Machinery and equipment	4,727,113	715,675	(191,831)	5,250,957
Total capital assets being depreciated	\$ 18,247,573	\$ 1,027,585	\$ (433,898)	\$ 18,841,260
Accumulated depreciation:				
Buildings and improvements	\$ (11,398,143)	\$ (286,071)	\$ 242,067	\$ (11,442,147)
Machinery and equipment	(3,585,891)	(415,527)	191,831	(3,809,587)
Total accumulated depreciation	\$ (14,984,034)	\$ (701,598)	\$ 433,898	\$ (15,251,734)
Total capital assets being depreciated, net	\$ 3,263,539	\$ 325,987	\$ -	\$ 3,589,526
Governmental activities capital assets, net	\$ 3,408,229	\$ 325,987	\$ (2,457)	\$ 3,731,759

**Note 17-Risk Management:**

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

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

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**Note 18-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 19-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 20-Notes Receivable:**

On June 5, 2008, the County loaned \$150,000 to Millworks LLC. The loan is payable in 120 monthly installments of \$1,380 starting with the first payment due on August 15, 2008. The note bears interest at the rate of 2%. The outstanding balance at June 30, 2019 was \$74,552. The note is delinquent as of June 30, 2019, but the County still expects full repayment.

During fiscal year 2018, the County issued interest free notes receivable as part of the home rehabilitation programs for Eagle Bottom and Troutdale. The aggregate balances due on those notes was \$78,825 as of June 30, 2019.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

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**Note 21-School Board Early Retirement Incentive Plan:**

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

Employees may participate in the plan for a maximum of 14 years or until the appropriate age for receipt of social security benefits, whichever occurs first. In the event of the retiree's death, the balance of the ERIP owed will be paid to the retiree's estate. The School Board funds the plan on a pay as you go basis. As of June 30, 2019, the unfunded balance of the early retirement incentive plan totaled \$40,632.

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

**Note 22-County Early Retirement Incentive Plan:**

**Defined Benefit Plan**

**Plan Description:**

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

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

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

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

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

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

**Contributions Policy**

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

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

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

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

**Actuarial Methods:**

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

**Actuarial Assumptions for GASB 68 Results:**

- Valuation date—July 1, 2018
- Measurement date—June 30, 2019
- Mortality table— RP 2014 Mortality tables, fully generational with base year 2006, projected using two-dimensional mortality improvement scale MP-2018.
- Discount rate—July 1, 2019 is 3.00% and July 1, 2018 valuations is 3.00%.
- Expected long term rate of return— July 1, 2019 is 3.00% and July 1, 2018 valuations is 3.00%.
- Inflation—2.50% per year
- Salary increase—2.50% per year
- Ad-hoc COLA—None

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

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

**Plan Membership**

As of June 30, 2019 (the measurement date), membership in the Supplemental Retirement Program was comprised as follows:

Inactive employees or beneficiaries currently receiving benefits	0
Inactive employees entitled to but not yet receiving benefits	0
Active employees	<u>12</u>
Total	12

**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, 2019 is as follows:

Total pension liability (TPL)	\$	404,800
Plan fiduciary net position		<u>46,500</u>
Net pension liability (NPL)	\$	<u><u>358,300</u></u>
Plan fiduciary net position as a percentage of the total pension liability		11.49%
Covered employee payroll	\$	472,000
Net pension liability as a percentage of covered employee payroll		75.91%

**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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COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

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

**Sensitivity of the Net Pension Liability**

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

<b>Sensitivity of the Net Pension Liability to Changes in the Discount Rate</b>				
	1% Decrease 2.00%	Current Discount Rate 3.00%	1% Increase 4.00%	
Net Pension Liability	\$ 383,500	\$ 358,300	\$ 334,500	

**Summary of Deferred Outflows and Inflows of Resources**

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

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



COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

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

**Summary of Deferred Outflows and Inflows of Resources (Continued)**

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience \$	-	\$ 11,300
Change in assumptions	46,000	6,000
Net difference between projected and actual earnings on pension plan investments	2,200	-
Total	\$ <u>48,200</u>	\$ <u>17,300</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**

**Year Ended June 30**

2020	\$	7,900
2021		7,900
2022		6,700
2023		6,500
2024		3,800
Thereafter		(1,900)

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COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

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

**Components of Pension Expense**

		<u>Pension Expense</u>
Service Cost	\$	12,500
Interest Cost		12,400
Projected Earnings on Plan Assets		(1,500)
Recognition of due to differences between expected and actual experience in the measurement of total pension liability		(2,100)
Recognition of changes in assumptions in the measurement of total pension liability		8,800
Recognition of differences between projected and actual earnings on plan investments		1,200
Administrative Expense		<u>2,000</u>
Pension Expense	\$	<u>33,300</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 23-Deferred/Unavailable Revenue:**

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

	<u>Government-wide Statements Governmental Activities</u>	<u>Balance Sheet Governmental Funds</u>
Primary Government:		
Unavailable property tax revenue representing uncollected property tax billings that are not available for the funding of current expenditures.	\$ -	\$ 1,499,078
Tax assessments due after June 30	9,586,248	9,586,248
Prepaid taxes relating to taxes due in a future period.	<u>57,036</u>	<u>57,036</u>
Total deferred/unavailable revenue	\$ <u>9,643,284</u>	\$ <u>11,142,362</u>

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

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**Note 24-Litigation:**

At June 30, 2019, there were no matters of litigation involving the County or which would materially affect the County's financial position should any court decisions on pending matters not be favorable to the County.

**Note 25-Adoption of Accounting Principles:**

The County implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements* during the fiscal year ended June 30, 2019. This Statement clarifies which liabilities governments should include when disclosing information related to debt. It also requires that additional essential information related to debt be disclosed in notes to financial statements. No restatement was required as a result of this implementation.

The County early implemented provisions of Governmental Accounting Standards Board Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period* during the fiscal year ended June 30, 2019. This Statement simplifies accounting for interest cost incurred before the end of a construction period. Interest cost incurred during construction is expensed and no longer capitalized as part of project costs. No restatement was required as a result of this implementation.

**Note 26-Restatement of Beginning Balances:**

	General Fund	EDA Fund	Total
Fund Balance, as previously reported 6/30/18	\$ 7,694,678	\$ 915,654	\$ 8,610,332
Correct classification of Community Development Funds	383,689	(383,689)	-
Restate prior year trail grant receivable	69,843	-	69,843
Restate to correct CDBG loans receivable	87,806	-	87,806
Fund Balance, as restated 7/1/18	<u>\$ 8,236,016</u>	<u>\$ 531,965</u>	<u>\$ 8,767,981</u>
Governmental Activities, as previously reported 6/30/18	\$ 11,450,534		
Above fund based adjustments	157,649		
Correct bond premium amortization	(513,727)		
Governmental Activities, as restated 7/1/18	<u>\$ 11,094,456</u>		

**Note 27-Subsequent Events:**

On July 30, 2019, the School Board agreed to a capital lease purchase to obtain five buses with a financed cost of \$495,484. The capital lease contains a 3.58% interest rate with annual payments of \$57,179 through July 30, 2025.

Subsequent to year-end, the County began grading a parcel in the industrial park at a cost of \$340,000. A portion of this cost will be grant funded.

The County was also awarded a \$523,200 CDBG grant subsequent to year-end for additional rehab of housing in Eagle Bottom.

COUNTY OF GRAYSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

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**Note 27-Subsequent Events: (Continued)**

On September 12, 2019, the County entered into an agreement to finance the purchase of lighting at the recreation park. The project will cost \$223,290 and contain an interest rate of 3.95% and will be repaid over 5 annual payments of \$50,188 starting September 2, 2020.

**Note 28-Upcoming Pronouncements:**

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 87, *Leases*, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and No. 61*, provides guidance for reporting a government's majority equity interest in a legally separate organization and for reporting financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

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, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
<b>REVENUES</b>				
General property taxes	\$ 10,623,000	\$ 10,623,000	\$ 10,769,991	\$ 146,991
Other local taxes	1,380,707	1,380,707	1,272,947	(107,760)
Permits, privilege fees, and regulatory licenses	73,950	73,950	64,413	(9,537)
Fines and forfeitures	15,200	15,200	20,376	5,176
Revenue from the use of money and property	104,500	104,500	95,955	(8,545)
Charges for services	1,702,140	1,702,140	1,695,547	(6,593)
Miscellaneous	99,421	179,566	176,525	(3,041)
Recovered costs	413,000	413,000	439,027	26,027
Intergovernmental:				
Commonwealth	3,889,083	4,091,030	4,443,249	352,219
Federal	1,711,688	1,861,769	1,978,483	116,714
Total revenues	\$ 20,012,689	\$ 20,444,862	\$ 20,956,513	\$ 511,651
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 1,656,455	\$ 1,626,710	\$ 1,547,977	\$ 78,733
Judicial administration	1,061,388	1,081,711	994,811	86,900
Public safety	4,443,814	4,479,188	4,411,831	67,357
Public works	1,850,357	1,860,213	1,808,399	51,814
Health and welfare	3,336,001	3,789,001	3,691,791	97,210
Education	5,695,453	5,695,453	5,283,822	411,631
Parks, recreation, and cultural	530,360	530,691	555,025	(24,334)
Community development	1,326,931	1,300,553	1,144,783	155,770
Capital projects	494,206	494,206	479,733	14,473
Debt service:				
Principal retirement	1,060,011	1,060,011	1,060,011	-
Interest and other fiscal charges	551,573	551,573	845,016	(293,443)
Total expenditures	\$ 22,006,549	\$ 22,469,310	\$ 21,823,199	\$ 646,111
Excess (deficiency) of revenues over (under) expenditures	\$ (1,993,860)	\$ (2,024,448)	\$ (866,686)	\$ 1,157,762
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	\$ (170,000)	\$ (170,000)	\$ (170,000)	\$ -
Net change in fund balances	\$ (2,163,860)	\$ (2,194,448)	\$ (1,036,686)	\$ 1,157,762
Fund balances - beginning, as restated	2,163,860	2,194,448	8,236,016	6,041,568
Fund balances - ending	\$ -	\$ -	\$ 7,199,330	\$ 7,199,330

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, 2019

	Economic Development Fund			
	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 47,420	\$ 47,420
EXPENDITURES				
Current:				
Community development	\$ -	\$ -	\$ 9,651	\$ (9,651)
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 37,769	\$ 37,769
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 170,000	\$ 170,000
Net change in fund balances	\$ -	\$ -	\$ 207,769	\$ 207,769
Fund balances - beginning, as restated	-	-	531,965	531,965
Fund balances - ending	\$ -	\$ -	\$ 739,734	\$ 739,734

County of Grayson, Virginia  
Schedule of Employer's Share of Net OPEB Liability  
Group Life Insurance Program  
For the Measurement Dates of June 30, 2018 and 2017

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)
<b>Primary Government</b>					
2018	0.02300% \$	350,505 \$	4,322,308	8.11%	51.22%
2017	0.02235%	336,031	4,122,885	8.15%	48.86%
<b>Component Unit-School Board (Nonprofessional)</b>					
2018	0.00503% \$	77,000 \$	955,734	8.06%	51.22%
2017	0.00575%	86,000	1,061,120	8.10%	48.86%
<b>Component Unit-School Board (Professional)</b>					
2018	0.04718% \$	717,000 \$	8,971,288	7.99%	51.22%
2017	0.04826%	726,000	8,902,636	8.15%	48.86%

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



County of Grayson, Virginia  
Schedule of Employer Contributions  
Group Life Insurance Program  
For the Years Ended June 30, 2010 through June 30, 2019

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					
2019	\$ 23,247	\$ 23,247	\$ -	\$ 4,470,577	0.52%
2018	22,476	22,476	-	4,322,308	0.52%
2017	21,439	21,439	-	4,122,885	0.52%
Component Unit-School Board (nonprofessional)					
2019	\$ 4,819	\$ 4,819	\$ -	\$ 929,375	0.52%
2018	4,985	4,985	-	955,734	0.52%
2017	5,518	5,518	-	1,061,120	0.52%
2016	5,079	5,079	-	1,058,056	0.48%
2015	5,962	5,962	-	1,242,043	0.48%
2014	6,102	6,102	-	1,271,330	0.48%
2013	5,817	5,817	-	1,211,812	0.48%
2012	3,357	3,357	-	1,199,067	0.28%
2011	3,373	3,373	-	1,204,508	0.28%
2010	2,442	2,442	-	1,245,795	0.20%
Component Unit-School Board (professional)					
2019	\$ 45,156	\$ 45,156	\$ -	\$ 8,702,106	0.52%
2018	46,684	46,684	-	8,971,288	0.52%
2017	46,294	46,294	-	8,902,636	0.52%
2016	40,406	40,406	-	8,417,889	0.48%
2015	45,808	45,808	-	9,543,276	0.48%
2014	44,936	44,936	-	9,361,669	0.48%
2013	44,116	44,116	-	9,190,897	0.48%
2012	25,436	25,436	-	9,084,146	0.28%
2011	25,456	25,456	-	9,091,532	0.28%
2010	18,595	18,595	-	9,297,500	0.20%

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, 2019

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:

**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

**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 Employee Health Insurance Credit (HIC) Program  
For the Measurement Dates of June 30, 2018 and 2017

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)
2018	0.1109%	\$ 1,408,000	\$ 8,971,288	15.69%	8.08%
2017	0.1128%	1,432,000	8,902,636	16.09%	7.04%

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

County of Grayson, Virginia  
Schedule of Employer Contributions  
Teacher Employee Health Insurance Credit (HIC) Program  
For the Years Ended June 30, 2010 through June 30, 2019

Date	Contributions in Relation to					Contributions as a % of Covered Payroll (5)
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)		
2019	\$ 104,204	\$ 104,204	\$ -	\$ 8,702,106		1.20%
2018	110,427	110,427	-	8,971,288		1.23%
2017	98,819	98,819	-	8,902,636		1.11%
2016	88,976	88,976	-	8,393,999		1.06%
2015	100,794	100,794	-	9,508,838		1.06%
2014	103,704	103,704	-	9,342,697		1.11%
2013	102,058	102,058	-	9,194,405		1.11%
2012	54,427	54,427	-	9,071,189		0.60%
2011	54,504	54,504	-	9,083,995		0.60%
2010	71,240	71,240	-	6,849,980		1.04%

County of Grayson, Virginia  
Notes to Required Supplementary Information  
Teacher Employee Health Insurance Credit (HIC) Program  
For the Year Ended June 30, 2019

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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 Measurement Dates of July 1, 2017 and 2018

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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	97.3625%	\$ 407,852	\$ 3,970,053	10.27%
2017	97.4024%	503,363	3,658,921	13.76%

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

County of Grayson, Virginia  
Schedule of Changes in Total OPEB Liability and Related Ratios  
Discretely Presented Component Unit - School Board  
Health Insurance  
For the Measurement Dates of July 1, 2017 and 2018

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

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

County of Grayson, Virginia  
Notes to Required Supplementary Information  
Primary Government and Discretely Presented Component Unit - School Board  
Health Insurance  
For the Year Ended June 30, 2019

Valuation Date: 7/1/2018

Measurement Date: 7/1/2018

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	3.62%
Medical Trend Rate	7.00% for fiscal year 2019, decreasing by 0.50% per year to an ultimate rate of 5.00%
Retirement Age	The average age at retirement is 62
Mortality Rates	The mortality rates for active and healthy retirees was calculated using the RP-2014 Fully Generational Mortality Table, with base year 2006, using two-dimensional improvement scale MP-2018.

**Discretely Presented Component Unit - School Board:**

*Methods and assumptions used to determine OPEB liability:*

Actuarial Cost Method	Entry age normal level % of salary
Salary Increase Rates	Future salaries are assumed to increase 2.50% annually
Participation Rate	40% of active employees are assumed to elect coverage in retirement; 20% of their spouses are assumed to elect coverage in retirement
Discount Rate	3.62%
Medical Trend Rate	7.00% for fiscal year 2019, decreasing by 0.50% per year to an ultimate rate of 5.00%
Retirement Age	The average age at retirement is 62
Mortality Rates	The mortality rates for active and healthy retirees was calculated using the RP-2014 Fully Generational Mortality Table, with base year 2006, using two-dimensional improvement scale MP-2018.



County of Grayson, Virginia  
Schedule of Employer's Proportionate Share of the Net Pension Liability  
For the Measurement Dates of June 30, 2014 through June 30, 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)
<b>Primary Government - County Retirement Plan</b>					
2018	97.36%	\$ 4,395,557	\$ 4,425,894	99.31%	80.61%
2017	97.40%	5,137,512	4,119,304	124.72%	77.14%
2016	96.31%	6,079,894	3,813,997	159.41%	71.94%
2015	94.61%	5,257,154	3,646,980	144.15%	74.44%
2014	94.61%	4,836,844	3,532,363	136.93%	75.57%
<b>Component Unit School Board (professional)</b>					
2018	0.11168%	\$ 13,134,000	\$ 8,977,806	146.29%	74.81%
2017	0.11334%	13,938,000	8,906,833	156.49%	72.92%
2016	0.11000%	15,416,000	8,373,995	184.09%	68.28%
2015	0.12789%	16,097,000	9,484,994	169.71%	70.68%
2014	0.12803%	15,438,000	9,342,058	165.25%	70.88%

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

County of Grayson, Virginia  
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios  
Component Unit School Board (nonprofessional)  
For the Measurement Dates of June 30, 2014 through June 30, 2018

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

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

County of Grayson, Virginia  
Schedule of Employer Contributions - Pension  
For the Years Ended June 30, 2010 through June 30, 2019

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)
<b>Primary Government</b>					
2019	\$ 644,726	\$ 644,726	\$ -	\$ 4,472,745	14.41%
2018	677,569	677,569	-	4,425,894	15.31%
2017	648,735	648,735	-	4,119,304	15.75%
2016	712,656	712,656	-	3,813,997	18.69%
2015	684,883	684,883	-	3,646,980	18.78%
<b>Component Unit School Board (nonprofessional)</b>					
2019	\$ 54,851	\$ 54,851	\$ -	\$ 929,375	5.90%
2018	63,092	63,092	-	949,587	6.64%
2017	70,121	70,121	-	1,046,780	6.70%
2016	105,194	105,194	-	1,058,056	9.94%
2015	122,393	292,271	(169,878)	1,242,043	23.53%
2014	130,057	130,057	-	1,271,330	10.23%
2013	123,968	123,968	-	1,211,812	10.23%
2012	89,421	89,421	-	1,192,283	7.50%
2011	90,260	90,260	-	1,203,460	7.50%
2010	96,561	96,561	-	1,244,348	7.76%
<b>Component Unit School Board (professional)</b>					
2019	\$ 1,332,964	\$ 1,332,964	\$ -	\$ 8,683,626	15.35%
2018	1,442,354	1,442,354	-	8,977,806	16.07%
2017	1,295,037	1,295,037	-	8,906,833	14.54%
2016	1,171,227	1,171,227	-	8,373,995	13.99%
2015	1,368,732	1,368,732	-	9,484,994	14.43%
2014	1,089,284	1,089,284	-	9,342,058	11.66%
2013	1,049,617	1,049,617	-	9,001,861	11.66%
2012	574,205	574,205	-	9,071,165	6.33%
2011	355,747	355,747	-	9,052,083	3.93%
2010	848,995	848,995	-	9,636,720	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, 2019

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:

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%

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%

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 Measurement Dates of June 30, 2017 through June 30, 2019

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

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

County of Grayson, Virginia  
Notes to Required Supplementary Information  
Primary Government  
Grayson County Supplemental Retirement Program (ERIP)  
For the Year Ended June 30, 2019

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Valuation Date: 7/1/2018

Measurement Date: 6/30/2019

**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-2018.

Other Supplementary Information

County of Grayson, Virginia  
Combining Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2019

	Agency Funds			
	<u>Special Welfare</u>	<u>ASAP</u>	<u>Regional Library</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 8,275	\$ 125,465	\$ 253,303	\$ 387,043
Investments	-	51,783	-	51,783
Total assets	<u>\$ 8,275</u>	<u>\$ 177,248</u>	<u>\$ 253,303</u>	<u>\$ 438,826</u>
<b>LIABILITIES</b>				
Amounts held for social services clients	\$ 8,275	\$ -	\$ -	\$ 8,275
Amounts held for Mt. Rogers Alcohol Safety Action Program	-	177,248	-	177,248
Amounts held for Grayson Regional Library	-	-	253,303	253,303
Total liabilities	<u>\$ 8,275</u>	<u>\$ 177,248</u>	<u>\$ 253,303</u>	<u>\$ 438,826</u>



County of Grayson, Virginia  
Combining Statement of Changes in Assets and Liabilities  
Agency Funds  
For the Year Ended June 30, 2019

	Agency Funds			
	Balance July 1, <u>2018</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2019</u>
<b>ASSETS</b>				
Cash and cash equivalents:				
Special Welfare Fund	\$ 6,294	\$ 23,421	\$ (21,440)	\$ 8,275
Building Code Fund	-	1,084	(1,084)	-
ASAP	122,725	285,524	(282,784)	125,465
Regional Library	196,899	871,769	(815,365)	253,303
Investments:				
ASAP	50,558	1,225	-	51,783
Total assets	<u>\$ 376,476</u>	<u>\$ 1,183,023</u>	<u>\$ (1,120,673)</u>	<u>\$ 438,826</u>
<b>LIABILITIES</b>				
Amounts held for others:				
Social services clients	\$ 6,294	\$ 23,421	\$ (21,440)	\$ 8,275
Subsequent remittance to State for surcharge	-	1,084	(1,084)	-
Mt. Rogers Alcohol Safety Action Program	173,283	286,749	(282,784)	177,248
Grayson Regional Library	196,899	871,769	(815,365)	253,303
Total liabilities	<u>\$ 376,476</u>	<u>\$ 1,183,023</u>	<u>\$ (1,120,673)</u>	<u>\$ 438,826</u>

County of Grayson, Virginia  
Balance Sheet  
Discretely Presented Component Unit - School Board  
June 30, 2019

	School Operating Fund
<b>ASSETS</b>	
Cash and cash equivalents	\$ 955,965
Receivables (net of allowance for uncollectibles):	
Accounts receivable	206,703
Due from primary government	17,240
Due from other governmental units	1,037,121
Prepaid items	160,925
Total assets	<u>\$ 2,377,954</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 179,264
Accrued salaries	774,156
Total liabilities	<u>\$ 953,420</u>
<b>FUND BALANCES</b>	
Nonspendable:	
Prepaid items	\$ 160,925
Committed:	
Cafeteria	98,043
Unassigned	1,165,566
Total fund balances	<u>\$ 1,424,534</u>
Total liabilities and fund balances	<u>\$ 2,377,954</u>
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:	
Total fund balances per above	\$ 1,424,534
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Land	\$ 142,233
Buildings and improvements	2,148,156
Machinery and equipment	<u>1,441,370</u>
	3,731,759
Deferred outflows of resources are not available to pay for current period expenditures and, therefore, are not reported in the funds.	
Pension related items	\$ 1,840,815
OPEB related items	<u>385,379</u>
	2,226,194
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Compensated absences	\$ (309,989)
Net OPEB liabilities	(3,432,200)
ERIP liability	(40,632)
Net pension liability	<u>(13,230,209)</u>
	(17,013,030)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.	
Pension related items	\$ (2,786,974)
OPEB related items	<u>(221,600)</u>
	(3,008,574)
Net position of governmental activities	<u>\$ (12,639,117)</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, 2019

	School Operating Fund
<b>REVENUES</b>	
Revenue from the use of money and property	\$ 10,800
Charges for services	223,284
Miscellaneous	197,831
Recovered costs	669,807
Intergovernmental:	
Local government	5,263,488
Commonwealth	11,332,956
Federal	2,273,048
Total revenues	<u>\$ 19,971,214</u>
<b>EXPENDITURES</b>	
Current:	
Education	\$ 19,725,821
Total expenditures	<u>\$ 19,725,821</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 245,393</u>
Net change in fund balances	\$ 245,393
Fund balances - beginning	1,179,141
Fund balances - ending	<u><u>\$ 1,424,534</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	\$ 245,393
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	\$ 455,954
Reversion of assets from County, net	384,625
Depreciation expense	<u>(514,592)</u>
	325,987
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.	(2,457)
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	\$ 6,316
Change in ERIP liability	29,958
Change in net pension liabilities and related deferred items	1,027,036
Change in net OPEB liabilities and related deferred items	<u>121,483</u>
	1,184,793
Change in net position of governmental activities	<u><u>\$ 1,753,716</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, 2019

	School Operating Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Revenue from the use of money and property	\$ 10,800	\$ 10,800	\$ 10,800	\$ -
Charges for services	255,000	255,000	223,284	(31,716)
Miscellaneous	42,200	139,888	197,831	57,943
Recovered costs	551,853	807,801	669,807	(137,994)
Intergovernmental:				
Local government	5,675,098	5,675,098	5,263,488	(411,610)
Commonwealth	11,115,344	11,300,172	11,332,956	32,784
Federal	2,003,337	2,360,513	2,273,048	(87,465)
Total revenues	<u>\$ 19,653,632</u>	<u>\$ 20,549,272</u>	<u>\$ 19,971,214</u>	<u>\$ (578,058)</u>
<b>EXPENDITURES</b>				
Current:				
Education	\$ 19,653,632	\$ 20,549,272	\$ 19,725,821	\$ 823,451
Total expenditures	<u>\$ 19,653,632</u>	<u>\$ 20,549,272</u>	<u>\$ 19,725,821</u>	<u>\$ 823,451</u>
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 245,393	\$ 245,393
Net change in fund balances	\$ -	\$ -	\$ 245,393	\$ 245,393
Fund balances - beginning	-	-	1,179,141	1,179,141
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,424,534</u>	<u>\$ 1,424,534</u>

County of Grayson, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2019

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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:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 8,200,000	\$ 8,200,000	\$ 8,216,844	\$ 16,844
Real and personal public service corporation taxes	240,000	240,000	252,427	12,427
Personal property taxes	1,700,000	1,700,000	1,686,659	(13,341)
Mobile home taxes	20,000	20,000	23,718	3,718
Machinery and tools taxes	210,000	210,000	215,621	5,621
Merchant's capital	28,000	28,000	75,954	47,954
Penalties	60,000	60,000	93,724	33,724
Interest	165,000	165,000	205,044	40,044
Total general property taxes	\$ 10,623,000	\$ 10,623,000	\$ 10,769,991	\$ 146,991
Other local taxes:				
Local sales and use taxes	\$ 490,982	\$ 490,982	\$ 474,923	\$ (16,059)
Consumers' utility taxes	340,000	340,000	344,112	4,112
Consumption taxes	35,000	35,000	36,984	1,984
Motor vehicle licenses	370,000	370,000	244,336	(125,664)
Recordation taxes	108,000	108,000	128,601	20,601
Hotel and motel room taxes	25,000	25,000	29,699	4,699
Bank stock tax	11,725	11,725	14,292	2,567
Total other local taxes	\$ 1,380,707	\$ 1,380,707	\$ 1,272,947	\$ (107,760)
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 6,500	\$ 6,500	\$ 5,817	\$ (683)
Zoning permits	2,700	2,700	229	(2,471)
Transfer fees	750	750	832	82
Erosion control	2,500	2,500	720	(1,780)
Building permits	60,000	60,000	55,285	(4,715)
Other permits	1,500	1,500	1,530	30
Total permits, privilege fees, and regulatory licenses	\$ 73,950	\$ 73,950	\$ 64,413	\$ (9,537)
Fines and forfeitures:				
Court fines and forfeitures	\$ 15,200	\$ 15,200	\$ 20,376	\$ 5,176
Revenue from use of money and property:				
Revenue from use of money	\$ 100,000	\$ 100,000	\$ 92,715	\$ (7,285)
Revenue from use of property	4,500	4,500	3,240	(1,260)
Total revenue from use of money and property	\$ 104,500	\$ 104,500	\$ 95,955	\$ (8,545)
Charges for services:				
Charges for trash fees	\$ 1,160,000	\$ 1,160,000	\$ 1,130,478	\$ (29,522)
Charges for sanitation and waste removal	361,400	361,400	374,470	13,070
Charges for recycling	90,000	90,000	78,522	(11,478)
Charges for parks and recreation	35,000	35,000	36,374	1,374
Charges for courtroom security	39,390	39,390	9,966	(29,424)
Charges for Commonwealth's Attorney	2,000	2,000	2,715	715
Charges for courthouse maintenance	-	-	2,773	2,773
Charges for administration	8,250	8,250	42,327	34,077
Charges for law enforcement	6,100	6,100	17,922	11,822
Total charges for services	\$ 1,702,140	\$ 1,702,140	\$ 1,695,547	\$ (6,593)

County of Grayson, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2019

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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	\$ 99,421	\$ 179,566	\$ 176,525	\$ (3,041)
Recovered costs:				
City of Galax	\$ 295,000	\$ 295,000	\$ 295,000	\$ -
School resource officer	36,000	36,000	36,000	-
Department of Social Services	40,000	40,000	66,027	26,027
Other recovered costs	42,000	42,000	42,000	-
Total recovered costs	\$ 413,000	\$ 413,000	\$ 439,027	\$ 26,027
Total revenue from local sources	\$ 14,411,918	\$ 14,492,063	\$ 14,534,781	\$ 42,718
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle rolling stock tax	\$ -	\$ -	\$ 175	\$ 175
Mobile home titling tax	10,000	10,000	18,462	8,462
Recordation tax	13,000	13,000	30,743	17,743
Communication tax	350,000	350,000	322,877	(27,123)
Personal property tax relief funds	437,787	437,787	437,793	6
Total noncategorical aid	\$ 810,787	\$ 810,787	\$ 810,050	\$ (737)
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 303,359	\$ 303,359	\$ 297,933	\$ (5,426)
Sheriff	991,065	997,402	1,006,488	9,086
Commissioner of revenue	85,026	85,026	86,336	1,310
Treasurer	92,459	92,459	97,894	5,435
Registrar/electoral board	45,557	45,557	37,500	(8,057)
Clerk of the Circuit Court	218,747	218,747	249,504	30,757
Total shared expenses	\$ 1,736,213	\$ 1,742,550	\$ 1,775,655	\$ 33,105
Other categorical aid:				
Public assistance and welfare administration	\$ 461,859	\$ 621,859	\$ 844,183	\$ 222,324
Children's services act	632,000	632,000	720,952	88,952
VJCCA	75,931	75,931	65,211	(10,720)
Fire programs	45,000	45,000	48,195	3,195
Victim witness	17,793	17,793	17,563	(230)
Law enforcement grants	87,500	95,602	48,898	(46,704)
Litter grant	7,000	7,000	7,233	233
Emergency services grants	15,000	30,362	30,243	(119)
Asset forfeiture	-	-	38,749	38,749
Tobacco Commission grant	-	-	24,171	24,171
Records preservation grant	-	12,146	12,146	-
Total other categorical aid	\$ 1,342,083	\$ 1,537,693	\$ 1,857,544	\$ 319,851
Total categorical aid	\$ 3,078,296	\$ 3,280,243	\$ 3,633,199	\$ 352,956
Total revenue from the Commonwealth	\$ 3,889,083	\$ 4,091,030	\$ 4,443,249	\$ 352,219

County of Grayson, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2019

Schedule 1  
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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	\$ 11,500	\$ 11,500	\$ 95,778	\$ 84,278
Categorical aid:				
Public assistance and welfare administration	\$ 1,275,000	\$ 1,275,000	\$ 1,282,502	\$ 7,502
Byrne justice assistance grant	-	4,581	4,581	-
Law enforcement grants	15,000	15,000	11,426	(3,574)
Emergency preparedness	7,500	7,500	7,500	-
FEMA reimbursement	-	-	17,095	17,095
Children's services act	-	-	35,028	35,028
Community development block grant	350,000	495,500	455,843	(39,657)
Trail grants	-	-	16,042	16,042
Victim witness	52,688	52,688	52,688	-
Total categorical aid	\$ 1,700,188	\$ 1,850,269	\$ 1,882,705	\$ 32,436
Total revenue from the federal government	\$ 1,711,688	\$ 1,861,769	\$ 1,978,483	\$ 116,714
Total General Fund	\$ 20,012,689	\$ 20,444,862	\$ 20,956,513	\$ 511,651
Special Revenue Fund:				
Economic Development Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 11,295	\$ 11,295
Revenue from the use of property	-	-	36,125	36,125
Total revenue from use of money and property	\$ -	\$ -	\$ 47,420	\$ 47,420
Total Economic Development Fund	\$ -	\$ -	\$ 47,420	\$ 47,420
Total Primary Government	\$ 20,012,689	\$ 20,444,862	\$ 21,003,933	\$ 559,071
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 10,800	\$ 10,800	\$ 10,800	\$ -
Charges for services:				
Cafeteria sales	\$ 255,000	\$ 255,000	\$ 223,284	\$ (31,716)
Miscellaneous:				
Other miscellaneous	\$ 42,200	\$ 139,888	\$ 197,831	\$ 57,943

County of Grayson, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2019

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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	\$ 208,446	\$ 8,446
E-rate recovered costs	75,523	277,691	229,264	(48,427)
Other recovered costs	276,330	330,110	232,097	(98,013)
Total recovered costs	<u>\$ 551,853</u>	<u>\$ 807,801</u>	<u>\$ 669,807</u>	<u>\$ (137,994)</u>
Total revenue from local sources	<u>\$ 859,853</u>	<u>\$ 1,213,489</u>	<u>\$ 1,101,722</u>	<u>\$ (111,767)</u>
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Grayson, Virginia	<u>\$ 5,675,098</u>	<u>\$ 5,675,098</u>	<u>\$ 5,263,488</u>	<u>\$ (411,610)</u>
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 2,219,399	\$ 2,245,396	\$ 2,234,458	\$ (10,938)
Basic school aid	4,898,610	4,972,048	4,972,048	-
Remedial summer education	59,366	75,442	80,831	5,389
Foster care	7,363	19,649	19,649	-
ISAEF	7,859	7,859	8,355	496
Gifted and talented	47,727	48,363	48,363	-
Remedial education	230,046	238,498	233,109	(5,389)
Jobs for VA graduates	25,000	25,000	25,000	-
Special education	598,502	606,471	606,471	-
Textbook payment	96,113	97,393	97,393	-
School nutrition	13,151	13,933	13,933	-
Vocational standards of quality payments	229,092	232,142	232,142	-
Social security fringe benefits	314,046	318,228	318,228	-
Retirement fringe benefits	692,047	701,262	701,262	-
Group life insurance fringe benefit	21,000	21,280	21,280	-
State lottery payments	315,652	315,652	352,227	36,575
Early reading intervention	32,781	19,669	19,669	-
Special education - Homebound	27,049	20,500	20,501	1
Special education - tuition	136,766	131,452	131,452	-
At risk payments	284,848	320,385	320,385	-
At risk four year olds	128,214	124,078	124,078	-
Enrollment loss	142,166	142,166	142,166	-
Primary class size	226,160	246,752	246,852	100
Technology	282,574	249,240	249,240	-
Industry certification cost	3,749	2,957	2,957	-
English as a second language	10,556	11,876	11,876	-
Standards of Learning algebra readiness	24,272	26,587	26,587	-
National board certified teacher	10,000	10,000	10,000	-
Positive behavior grant	-	20,000	20,000	-
CTE	-	4,175	4,175	-
Project Graduation	3,714	3,714	3,714	-
Other categorical aid	27,522	28,005	34,555	6,550
Total categorical aid	<u>\$ 11,115,344</u>	<u>\$ 11,300,172</u>	<u>\$ 11,332,956</u>	<u>\$ 32,784</u>
Total revenue from the Commonwealth	<u>\$ 11,115,344</u>	<u>\$ 11,300,172</u>	<u>\$ 11,332,956</u>	<u>\$ 32,784</u>



County of Grayson, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2019

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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	\$ -	\$ 49,243	\$ 49,243	\$ -
Impact Aid	2,521	-	-	-
Title I	684,623	684,623	718,841	34,218
Title VI-B, special education flow-through	461,455	500,752	537,772	37,020
Title VI-B, special education pre-school	21,844	20,807	15,197	(5,610)
21st century learning grants	-	117,169	26,920	(90,249)
Migrant education	3,063	-	-	-
School nutrition grants	649,060	785,351	732,518	(52,833)
Student support and academic achievement	16,085	36,667	22,291	(14,376)
Supporting effective instruction	92,267	93,995	100,520	6,525
Perkins vocational education	44,385	43,872	37,460	(6,412)
Title VI, rural and low income school administration	28,034	28,034	32,286	4,252
Total categorical aid	<u>\$ 2,003,337</u>	<u>\$ 2,360,513</u>	<u>\$ 2,273,048</u>	<u>\$ (87,465)</u>
Total revenue from the federal government	<u>\$ 2,003,337</u>	<u>\$ 2,360,513</u>	<u>\$ 2,273,048</u>	<u>\$ (87,465)</u>
Total School Operating Fund	<u>\$ 19,653,632</u>	<u>\$ 20,549,272</u>	<u>\$ 19,971,214</u>	<u>\$ (578,058)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 19,653,632</u>	<u>\$ 20,549,272</u>	<u>\$ 19,971,214</u>	<u>\$ (578,058)</u>

County of Grayson, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2019

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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	\$ 56,540	\$ 56,707	\$ 55,645	\$ 1,062
General and financial administration:				
County administrator	\$ 492,596	\$ 494,266	\$ 487,239	\$ 7,027
Audit services	84,655	84,655	94,825	(10,170)
Legal services	25,000	25,000	13,063	11,937
Commissioner of revenue	276,039	276,039	252,451	23,588
Treasurer	359,852	359,884	331,123	28,761
Information technology	164,863	168,160	159,038	9,122
Other general and financial administration	45,500	10,450	12,781	(2,331)
Total general and financial administration	\$ 1,448,505	\$ 1,418,454	\$ 1,350,520	\$ 67,934
Board of elections:				
Electoral board and officials	\$ 59,120	\$ 59,259	\$ 54,111	\$ 5,148
Registrar	92,290	92,290	87,701	4,589
Total board of elections	\$ 151,410	\$ 151,549	\$ 141,812	\$ 9,737
Total general government administration	\$ 1,656,455	\$ 1,626,710	\$ 1,547,977	\$ 78,733
Judicial administration:				
Courts:				
Circuit court	\$ 27,926	\$ 29,094	\$ 22,532	\$ 6,562
General district court	9,235	9,235	6,020	3,215
Special magistrates	1,350	1,350	361	989
VJCCA	89,807	89,807	78,947	10,860
Courtroom security	39,390	39,390	4,166	35,224
Law library	-	-	766	(766)
Victim witness	71,563	71,563	69,619	1,944
Clerk of the circuit court	406,805	423,747	410,357	13,390
Total courts	\$ 646,076	\$ 664,186	\$ 592,768	\$ 71,418
Commonwealth's attorney:				
Commonwealth's attorney	\$ 415,312	\$ 417,525	\$ 402,043	\$ 15,482
Total judicial administration	\$ 1,061,388	\$ 1,081,711	\$ 994,811	\$ 86,900
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 2,385,686	\$ 2,462,094	\$ 2,471,948	\$ (9,854)
Fire and rescue services:				
Emergency operations	\$ 513,248	\$ 523,590	\$ 501,476	\$ 22,114
Twin County E911	187,120	187,121	187,120	1
Total fire and rescue services	\$ 700,368	\$ 710,711	\$ 688,596	\$ 22,115

County of Grayson, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2019

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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	\$ 950,000	\$ 954,581	\$ 918,418	\$ 36,163
New River Valley Juvenile Detention Center payments	94,725	24,725	20,786	3,939
Total correction and detention	\$ 1,044,725	\$ 979,306	\$ 939,204	\$ 40,102
Inspections:				
Building	\$ 149,643	\$ 162,565	\$ 161,768	\$ 797
Other protection:				
Animal warden	\$ 99,321	\$ 99,321	\$ 87,463	\$ 11,858
Day report	63,871	64,991	62,652	2,339
Medical examiner	200	200	200	-
Total other protection	\$ 163,392	\$ 164,512	\$ 150,315	\$ 14,197
Total public safety	\$ 4,443,814	\$ 4,479,188	\$ 4,411,831	\$ 67,357
Public works:				
Sanitation and waste removal:				
Refuse collection	\$ 858,346	\$ 895,123	\$ 870,932	\$ 24,191
Refuse disposal	390,000	358,686	355,538	3,148
Recycling program	139,465	163,465	160,046	3,419
Total sanitation and waste removal	\$ 1,387,811	\$ 1,417,274	\$ 1,386,516	\$ 30,758
Maintenance of general buildings and grounds:				
General properties	\$ 238,445	\$ 228,499	\$ 234,981	\$ (6,482)
Public works	38,042	39,741	40,235	(494)
Jail building	25,285	25,285	15,761	9,524
Courthouse	132,973	125,613	119,518	6,095
Other buildings	27,801	23,801	11,388	12,413
Total maintenance of general buildings and grounds	\$ 462,546	\$ 442,939	\$ 421,883	\$ 21,056
Total public works	\$ 1,850,357	\$ 1,860,213	\$ 1,808,399	\$ 51,814
Health and welfare:				
Health:				
Supplement of local health department	\$ 178,770	\$ 178,770	\$ 178,770	\$ -
Behavioral health and development services:				
Mt. Rogers Community Services Board	\$ 41,200	\$ 41,200	\$ 41,200	\$ -
Welfare:				
Welfare administration and programs	\$ 2,301,320	\$ 2,509,320	\$ 2,434,183	\$ 75,137
Children's services act	800,000	1,045,000	1,022,927	22,073
Area office on aging	14,711	14,711	14,711	-
Total welfare	\$ 3,116,031	\$ 3,569,031	\$ 3,471,821	\$ 97,210
Total health and welfare	\$ 3,336,001	\$ 3,789,001	\$ 3,691,791	\$ 97,210

County of Grayson, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2019

Schedule 2  
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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	\$ 20,355	\$ 20,355	\$ 20,334	\$ 21
Contribution to County School Board	5,675,098	5,675,098	5,263,488	411,610
Total education	\$ 5,695,453	\$ 5,695,453	\$ 5,283,822	\$ 411,631
Parks, recreation, and cultural:				
Parks and recreation:				
Recreation	\$ 230,110	\$ 230,441	\$ 254,776	\$ (24,335)
Library:				
Contribution to regional library	\$ 300,250	\$ 300,250	\$ 300,249	\$ 1
Total parks, recreation, and cultural	\$ 530,360	\$ 530,691	\$ 555,025	\$ (24,334)
Community development:				
Planning and community development:				
Planning and zoning	\$ 21,304	\$ 79,348	\$ 61,625	\$ 17,723
Tourism development	43,679	46,801	40,449	6,352
Twin county airport	53,560	53,560	50,799	2,761
Multi-flora rose	500	500	318	182
Economic development	984,981	897,437	786,692	110,745
Other community development	84,533	84,533	77,952	6,581
Total planning and community development	\$ 1,188,557	\$ 1,162,179	\$ 1,017,835	\$ 144,344
Environmental management:				
Contribution to soil and water district	\$ 5,500	\$ 5,500	\$ 5,500	\$ -
Storm water maintenance	10,230	10,230	8,580	1,650
Total environmental management	\$ 15,730	\$ 15,730	\$ 14,080	\$ 1,650
Cooperative extension program:				
Extension office	\$ 122,644	\$ 122,644	\$ 112,868	\$ 9,776
Total community development	\$ 1,326,931	\$ 1,300,553	\$ 1,144,783	\$ 155,770
Capital projects:				
Other capital projects	\$ 494,206	\$ 494,206	\$ 479,733	\$ 14,473
Total capital projects	\$ 494,206	\$ 494,206	\$ 479,733	\$ 14,473
Debt service:				
Principal retirement	\$ 1,060,011	\$ 1,060,011	\$ 1,060,011	\$ -
Interest and other fiscal charges	551,573	551,573	845,016	(293,443)
Total debt service	\$ 1,611,584	\$ 1,611,584	\$ 1,905,027	\$ (293,443)
Total General Fund	\$ 22,006,549	\$ 22,469,310	\$ 21,823,199	\$ 646,111

County of Grayson, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2019

Schedule 2  
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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 Revenues Funds:				
Economic Development Fund				
Community Development:				
Economic development	\$ -	\$ -	\$ 9,651	\$ (9,651)
Total economic development	\$ -	\$ -	\$ 9,651	\$ (9,651)
Total community development	\$ -	\$ -	\$ 9,651	\$ (9,651)
Total Economic Development Fund	\$ -	\$ -	\$ 9,651	\$ (9,651)
Total Primary Government	\$ 22,006,549	\$ 22,469,310	\$ 21,832,850	\$ 636,460
Discretely Presented Component Unit - School Board				
School Operating Fund:				
Education:				
Administration of schools:				
Administration, attendance and health	\$ 1,078,317	\$ 1,150,975	\$ 1,096,580	\$ 54,395
Instructional costs:				
Classroom instruction	\$ 13,410,871	\$ 13,451,584	\$ 13,115,856	\$ 335,728
Operating costs:				
School cafeteria operations	\$ 1,023,246	\$ 969,412	\$ 1,032,137	\$ (62,725)
Pupil transportation	1,307,473	2,051,455	1,564,513	486,942
Operation and maintenance of school plant	2,202,494	2,224,915	2,146,526	78,389
Technology	631,231	700,931	770,209	(69,278)
Total operating costs	\$ 5,164,444	\$ 5,946,713	\$ 5,513,385	\$ 433,328
Total Education	\$ 19,653,632	\$ 20,549,272	\$ 19,725,821	\$ 823,451
Total Discretely Presented Component Unit - School Board	\$ 19,653,632	\$ 20,549,272	\$ 19,725,821	\$ 823,451

## 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	Parks, Recreation, and Cultural			Community Development	Interest on Long-Term Debt		Public Service Authority	Total			
								Education				Term Debt						
2018-19	\$	1,617,064	\$	935,359	\$	4,029,927	\$	3,579,973	\$	569,100	\$	1,160,240	\$	538,345	\$	315,022	\$	21,101,766
2017-18		1,458,826		1,056,799		4,527,923		3,439,152		518,306		1,127,597		452,581		315,932		21,268,444
2016-17		1,347,040		988,337		4,130,658		2,757,910		479,298		1,168,881		487,320		313,773		19,673,145
2015-16		1,221,223		738,367		3,756,030		2,568,994		566,508		841,802		484,527		251,679		17,881,307
2014-15		1,427,523		834,684		3,434,969		2,866,899		446,006		2,989,423		602,957		242,411		21,033,034
2013-14		1,162,628		852,464		3,402,712		2,827,869		441,542		757,907		612,569		256,916		17,708,608
2012-13		979,020		791,486		3,265,425		2,563,894		471,473		764,628		641,036		278,561		16,033,646
2011-12		1,008,351		773,326		3,160,218		2,562,695		413,036		724,623		544,422		263,930		15,819,320
2010-11		1,086,469		789,512		2,991,393		2,377,040		451,087		703,919		665,468		250,913		15,602,628
2009-10		1,220,378		613,634		3,061,422		2,492,346		320,739		1,216,399		685,093		173,138		15,581,787

Table 2

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

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



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

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

(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
2018-19	\$ 10,510,247	\$ 9,434,854	89.77%	\$ 1,036,369	10,471,223	99.63%	\$ 1,841,477	17.52%
2017-18	12,301,485	10,875,900	88.41%	615,601	11,491,501	93.42%	1,843,214	14.98%
2016-17	9,924,601	9,312,581	93.83%	658,611	9,971,192	100.47%	1,323,643	13.34%
2015-16	9,826,512	9,146,131	93.08%	650,180	9,796,311	99.69%	1,344,578	13.68%
2014-15	9,748,700	9,128,324	93.64%	477,081	9,605,405	98.53%	1,438,969	14.76%
2013-14	9,758,039	9,058,301	92.83%	507,328	9,565,629	98.03%	1,318,247	13.51%
2012-13	9,765,219	9,065,028	92.83%	411,738	9,476,766	97.05%	1,263,967	12.94%
2011-12	9,627,917	9,064,047	94.14%	446,328	9,510,375	98.78%	1,024,867	10.64%
2010-11	9,632,648	9,067,919	94.14%	411,546	9,479,465	98.41%	949,816	9.86%
2009-10	7,483,293	7,105,026	94.95%	125,347	7,230,373	96.62%	864,277	11.55%

(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	
2018-19	\$ 1,664,986,600	\$ 127,786,990	\$ 796,294	\$ 21,724,721	\$ 51,516,064	\$ -	\$ -	\$ 1,866,810,669
2017-18	1,663,763,300	254,155,821	1,716,629	28,317,329	53,498,280	-	-	2,001,451,359
2016-17	1,661,250,900	113,102,005	458,676	11,169,205	49,120,441	-	-	1,835,101,227
2015-16	1,677,434,500	100,886,499	658,664	9,507,998	53,443,671	-	-	1,841,931,332
2014-15	1,675,444,500	99,452,456	634,712	8,222,871	46,905,446	-	-	1,830,659,985
2013-14	1,669,670,500	95,817,181	658,976	8,774,792	41,073,315	-	-	1,815,994,764
2012-13	1,665,125,300	97,851,316	646,211	7,123,835	42,014,145	49,425	49,425	1,812,810,232
2011-12	1,658,580,400	97,342,296	601,363	6,638,371	38,897,071	65,145	65,145	1,802,124,646
2010-11	1,655,566,400	98,196,863	493,893	8,481,414	35,439,899	61,188	61,188	1,798,239,657
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

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

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

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

Table 7

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

Fiscal Year	Real Estate	Personal Property	Machinery and Tools	Merchant's Capital
2018-19	\$ 0.49	\$ 1.75	\$ 1.75	\$ 6.70
2017-18	0.49	1.75	1.75	6.70
2016-17	0.49	1.75	1.75	6.70
2015-16	0.49	1.75	1.75	6.70
2014-15	0.49	1.75	1.75	6.70
2013-14	0.49	1.75	1.75	6.70
2012-13	0.49	1.75	1.75	6.70
2011-12	0.49	1.75	1.75	6.70
2010-11	0.49	1.75	1.75	6.70
2009-10	0.34	1.75	1.75	6.70

(1) Per \$100 of assessed value.

Table 8

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

Fiscal Year	Population (1)	Assessed Value (in thousands) (2)	Gross Bonded Debt (3)	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2018-19	15,665	\$ 1,866,811	\$ 13,615,060	\$ 13,615,060	0.73%	\$ 869
2017-18	15,665	2,001,451	14,279,902	14,279,902	0.71%	912
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

(1) Bureau of the Census.

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

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

Table 9

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

Fiscal Year	Principal	Interest	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
2018-19	\$ 1,060,011	\$ 845,016	\$ 1,905,027	\$ 35,815,450	5.32%
2017-18	1,619,450	655,115	2,274,565	36,556,096	6.22%
2016-17	655,868	688,082	1,343,950	34,052,898	3.95%
2015-16	595,860	683,655	1,279,515	32,107,411	3.99%
2014-15	822,434	694,431	1,516,865	37,008,673	4.10%
2013-14	112,865	513,000	625,865	33,796,664	1.85%
2012-13 (3)	18,009,866	763,379	18,773,245	51,324,329	36.58%
2011-12 (2)	18,434,255	642,784	19,077,039	50,041,213	38.12%
2010-11	2,358,145	392,389	2,750,534	35,571,664	7.73%
2009-10	2,607,164	689,486	3,296,650	34,854,389	9.46%

(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.

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## COMPLIANCE SECTION

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**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**

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**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, 2019, and the related notes to the financial statements, which collectively comprise the County of Grayson, Virginia's basic financial statements, and have issued our report thereon dated January 15, 2020.

**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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs, as item 2019-001, that we consider to be a material weakness.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether County of Grayson, Virginia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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  
January 15, 2020

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

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**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, 2019. County of Grayson, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

***Opinion on Each Major Federal Program***

In our opinion, County of Grayson, Virginia, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.


## Report on Internal Control over Compliance

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

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

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

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



Blacksburg, Virginia  
January 15, 2020

County of Grayson, Virginia  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2019

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	0950017, 0950118	\$ 9,377
TANF Cluster:			
Temporary Assistance for Needy Families	93.558	0400118, 0400119	163,157
Refugee and Entrant Assistance - State Administered Programs	93.566	0500118, 0500119	90
Low-Income Home Energy Assistance	93.568	0600418, 0600419	26,806
Child Care and Development Fund Cluster:			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760118, 0760119	29,169
Chafee Education and Training Vouchers Program	93.599	9160118	2,046
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900118	195
Foster Care - Title IV-E	93.658	1100118, 1100119	227,917
Adoption Assistance	93.659	1120118, 1120119	224,338
Social Services Block Grant	93.667	1000118, 1000119	147,700
Chafee Foster Care Independence Program	93.674	9150118, 9150119	3,927
Medicaid Cluster:			
Medical Assistance Program	93.778	1200118, 1200119	250,516
Children's Health Insurance Program	93.767	0540118, 0540119	4,972
Total Department of Health and Human Services			<u>\$ 1,090,210</u>
Department of Agriculture:			
Pass Through Payments:			
<i>Child Nutrition Cluster:</i>			
<i>Department of Agriculture:</i>			
Food Distribution (Note 3)	10.555	Not available	\$ 67,250
<i>Department of Education:</i>			
National School Lunch Program	10.555	APE40254	465,740 \$ 532,990
School Breakfast Program	10.553	APE40253	186,424
Summer Food Service Program for Children	10.559	APE60302	13,104
Total Child Nutrition Cluster			\$ 732,518
<i>Department of Education:</i>			
Schools and Roads - Grants to States	10.665	APE43841	49,243
<i>Department of Social Services:</i>			
SNAP Cluster:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010118, 0010119 0040118, 0040119	227,320
Total Department of Agriculture			<u>\$ 1,009,081</u>
Department of Justice:			
Pass Through Payments:			
<i>Department of Criminal Justice Service:</i>			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	Not available	\$ 4,581
Crime Victim Assistance	16.575	17VAGX0018	52,688
Total Department of Justice			<u>\$ 57,269</u>
Department of Transportation:			
Pass Through Payments:			
<i>Department of Motor Vehicles:</i>			
Alcohol Open Container Requirements	20.607	154AL-2019-59404-9404 154AL-2018-58128-8128	\$ 11,426
<i>Highway Planning and Construction Cluster</i>			
<i>Department of Transportation:</i>			
Highway Planning and Construction	20.205	EN18-038-786, P101	16,042
Total Department of Transportation			<u>\$ 27,468</u>
Department of Homeland Security:			
Pass Through Payments:			
<i>Department of Emergency Services:</i>			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	4401DRVAP00000001	\$ 17,095
Emergency Management Performance Grants	97.042	EMP-2018-EP-00007	7,500
Total Department of Homeland Security			<u>\$ 24,595</u>

County of Grayson, Virginia  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2019 (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	\$ 15,197
Special Education - Grants to States	84.027	APE43071	537,772
Total Special Education Cluster			\$ 552,969
Title I: Grants to Local Educational Agencies	84.010	APE42901	718,841
Twenty-first Century Community Learning Centers	84.287	APE60565	26,920
Career and Technical Education - Basic Grants to States	84.048	APE61095	37,460
Rural Education	84.358	APE43481	32,286
Supporting Effective Instruction State Grant	84.367	APE61480	100,520
Student Support and Academic Enrichment Program	84.424	APE60281	22,291
Total Department of Education			\$ 1,491,287
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	\$ 455,843
Total Expenditures of Federal Awards			\$ 4,155,753

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, 2019. 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, 2019, 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	\$ 1,978,483
Less: Payment in lieu of taxes	(95,778)
Total primary government	\$ 1,882,705
Component Unit School Board:	
School Operating Fund	\$ 2,273,048
Total expenditures of federal awards per basic financial statements	\$ 4,155,753

County of Grayson, Virginia  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2019

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**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
93.775/93.777/93.778	Medicaid 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, 2019**

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**Section II - Financial Statement Findings**

**2019-001**

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

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

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

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

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

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

**Section III - Federal Award Findings and Questioned Costs**

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

**Section IV - Status of Prior Audit Findings**

The prior audit finding 2018-001 recurred in the current year as 2019-001.