

FINANCIAL STATEMENTS



COUNTY OF SMYTH, VIRGINIA

FISCAL YEAR ENDED
JUNE 30, 2018

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

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

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INTRODUCTORY SECTION

COUNTY OF SMYTH, VIRGINIA

BOARD OF SUPERVISORS

M. Todd Dishner, Chair
Richard (Rick) K. Blevins, Vice Chair
R. Curtis Rhea
Judy Wyant
Charles Atkins
Roscoe D. Call
Charles Phil Stevenson (Phil)

COUNTY SCHOOL BOARD

Jesse Choate, Chair
C.M. "Mac" Buchanan
Paul Grinstead
Todd Williams
Roger Frye
Susan Williams
William Veselik

SOCIAL SERVICES BOARD

Kim Daughtery, Chair
Tom Hess
Norma Teaters
Patsy Waddle
Wanda Sanderson
Justine Bradley
Susan Snead

OTHER OFFICIALS

Judge of the Circuit CourtC. Randall Lowe
Sage B. Johnson
Deanis L. Simmons
Clerk of the Circuit CourtJohn H. Graham
Judge of the General District Court V. Blake McKinney
Eric R. Thiessen
Judge of the Juvenile & Domestic Relations Court Florence A. Powell
Joseph B. Lyle
Richard S. Buddington Jr.
Commonwealth's Attorney Roy F. Evans, Jr.
Commissioner of the Revenue Jeff Richardson
Treasurer Tom Burkett
Sheriff Chip Shuler
Superintendent of Schools Dr. Dennis Carter
Director of Social Services Chris Austin
County Administrator Michael L. Carter

FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Honorable Members of the Board of Supervisors
County of Smyth, Virginia
Marion, 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 units, each major fund, and the aggregate remaining fund information of the County of Smyth, Virginia, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 units, each major fund, and the aggregate remaining fund information of the County of Smyth, Virginia, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principles

As described in Note 28 to the financial statements, in 2018, the County adopted new accounting guidance, GASB Statement Nos. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and 85 *Omnibus 2017*. Our opinion is not modified with respect to this matter.

Restatement of Beginning Balances

As described in Note 29 to the financial statements, in 2018, the County restated beginning balances to reflect the requirements of GASB Statement No. 75 and to correct a prior period error. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and schedules related to pension and OPEB funding on pages 102-104 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.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2018, on our consideration of the County of Smyth, 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 Smyth, 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 the County of Smyth, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
December 4, 2018

Basic Financial Statements

County of Smyth, Virginia
Statement of Net Position
June 30, 2018

	Primary Government					
	Governmental Activities	Business-type Activities	Total	School Board	Library	EDA
ASSETS						
Cash and cash equivalents	\$ -	\$ 5,204	\$ 5,204	\$ 1,688,285	\$ 280,469	\$ 49,338
Investments	11,318,714	-	11,318,714	1,071,654	50,671	630,167
Investment in Smyth-Washington IFA	1,285,009	-	1,285,009	-	-	-
Receivables (net of allowance for uncollectibles):						
Taxes receivable	22,229,501	-	22,229,501	-	-	-
Accounts receivable	218,785	307,620	526,405	215,709	-	-
Due from primary government	-	-	-	1,258,096	-	66,987
Due from other governmental units	1,660,714	98,653	1,759,367	2,079,868	-	-
Inventories	-	-	-	60,202	-	-
Prepaid items	184,089	-	184,089	770,457	110,264	-
Accrued interest	-	-	-	-	-	369
Capital assets (net of accumulated depreciation):						
Land	664,940	44,831	709,771	844,463	-	4,823,062
Buildings and improvements	46,620,007	-	46,620,007	5,397,316	-	-
Machinery and equipment	2,880,304	74,455	2,954,759	2,470,876	61,187	-
Utility plant in service	31,999	26,510,363	26,542,362	-	-	-
Construction in progress	-	98,653	98,653	-	-	-
Total assets	<u>\$ 87,094,062</u>	<u>\$ 27,139,779</u>	<u>\$ 114,233,841</u>	<u>\$ 15,856,926</u>	<u>\$ 502,591</u>	<u>\$ 5,569,923</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred charge on refunding	\$ 1,384,824	\$ -	\$ 1,384,824	\$ -	\$ -	\$ -
Pension related items	754,457	23,744	778,201	4,325,121	44,065	-
OPEB related items	36,026	815	36,841	401,456	2,339	-
Total deferred outflows of resources	<u>\$ 2,175,307</u>	<u>\$ 24,559</u>	<u>\$ 2,199,866</u>	<u>\$ 4,726,577</u>	<u>\$ 46,404</u>	<u>\$ -</u>
LIABILITIES						
Accounts payable	\$ 731,642	\$ 279,058	\$ 1,010,700	\$ 101,039	\$ 1,040	\$ -
Accrued liabilities	-	-	-	4,062,979	4,819	-
Accrued wages and health claims	174,906	-	174,906	-	-	-
Customers' deposits	-	1,956	1,956	-	-	-
Accrued interest payable	348,035	71,449	419,484	-	-	-
Due to component unit	1,325,083	-	1,325,083	-	-	-
Cash bond held in escrow	21,875	-	21,875	-	-	-
Reconciled overdraft	617,962	-	617,962	-	-	-
Long-term liabilities:						
Due within one year	3,095,056	583,160	3,678,216	362,537	58,765	-
Due in more than one year	47,459,182	10,930,548	58,389,730	47,685,146	349,851	-
Total liabilities	<u>\$ 53,773,741</u>	<u>\$ 11,866,171</u>	<u>\$ 65,639,912</u>	<u>\$ 52,211,701</u>	<u>\$ 414,475</u>	<u>\$ -</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred revenue-property taxes	\$ 18,211,728	\$ -	\$ 18,211,728	\$ -	\$ -	\$ -
Property taxes paid in advance	231,722	-	231,722	-	-	-
Pension related items	2,264,218	93,139	2,357,357	7,436,102	226,741	-
OPEB related items	76,053	3,125	79,178	455,000	4,813	-
Total deferred inflows of resources	<u>\$ 20,783,721</u>	<u>\$ 96,264</u>	<u>\$ 20,879,985</u>	<u>\$ 7,891,102</u>	<u>\$ 231,554</u>	<u>\$ -</u>
NET POSITION						
Net investment in capital assets	\$ 7,410,590	\$ 15,469,911	\$ 22,880,501	\$ 8,712,655	\$ 61,187	\$ 4,823,062
Restricted (See note 27)	1,480,166	-	1,480,166	627,538	33,790	-
Unrestricted (Deficit)	5,821,151	(268,008)	5,553,143	(48,859,493)	(192,011)	746,861
Total net position	<u>\$ 14,711,907</u>	<u>\$ 15,201,903</u>	<u>\$ 29,913,810</u>	<u>\$ (39,519,300)</u>	<u>\$ (97,034)</u>	<u>\$ 5,569,923</u>

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

County of Smyth, Virginia
Statement of Activities
For the Year Ended June 30, 2018

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position						
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total	School Board	Library	EDA
PRIMARY GOVERNMENT:										
Governmental activities:										
General government administration	\$ 2,108,251	\$ 17,828	\$ 304,441	\$ -	\$ (1,785,982)	\$ -	\$ (1,785,982)	\$ -	\$ -	\$ -
Judicial administration	2,085,710	942,952	844,400	-	(298,358)	-	(298,358)	-	-	-
Public safety	8,492,659	336,387	2,089,295	-	(6,066,977)	-	(6,066,977)	-	-	-
Public works	2,148,119	821,118	8,672	-	(1,318,329)	-	(1,318,329)	-	-	-
Health and welfare	6,735,510	-	5,018,821	-	(1,716,689)	-	(1,716,689)	-	-	-
Education	9,328,944	-	-	-	(9,328,944)	-	(9,328,944)	-	-	-
Parks, recreation, and cultural	770,828	-	-	-	(770,828)	-	(770,828)	-	-	-
Community development	368,790	-	-	-	(368,790)	-	(368,790)	-	-	-
Interest on long-term debt	1,019,376	-	-	-	(1,019,376)	-	(1,019,376)	-	-	-
Total governmental activities	\$ 33,058,187	\$ 2,118,285	\$ 8,265,629	\$ -	\$ (22,674,273)	\$ -	\$ (22,674,273)	\$ -	\$ -	\$ -
Business-type activities:										
Water and sewer	2,944,311	2,195,392	-	2,530,983	-	1,782,064	1,782,064	-	-	-
Total primary government	\$ 36,002,498	\$ 4,313,677	\$ 8,265,629	\$ 2,530,983	\$ (22,674,273)	\$ 1,782,064	\$ (20,892,209)	\$ -	\$ -	\$ -
COMPONENT UNITS:										
School Board	44,580,877	1,077,303	36,708,725	-	-	-	-	(6,794,849)	-	-
Library	1,215,067	16,879	935,812	-	-	-	-	-	(262,376)	(95,274)
Economic Development Authority	95,274	-	-	-	-	-	-	-	-	-
Total component units	\$ 45,891,218	\$ 1,094,182	\$ 37,644,537	\$ -	\$ -	\$ -	\$ -	\$ (6,794,849)	\$ (262,376)	\$ (95,274)
General revenues:										
General property taxes					\$ 17,194,583	\$ -	\$ 17,194,583	\$ -	\$ -	\$ -
Other local taxes:										
Local sales and use taxes					2,150,251	-	2,150,251	-	-	-
Consumers' utility taxes					656,840	-	656,840	-	-	-
Motor vehicle taxes					461,589	-	461,589	-	-	-
Restaurant food taxes					60,325	-	60,325	-	-	-
Other local taxes					200,178	-	200,178	-	-	-
Unrestricted revenues from the use of money and property					269,998	-	269,998	8,984	2,458	-
Miscellaneous					258,209	-	258,209	46,139	48,210	25,644
Grants and contributions not restricted to specific programs					2,694,976	-	2,694,976	9,310,559	-	-
Transfers					161,140	(161,140)	-	-	-	-
Total general revenues and transfers					\$ 24,108,089	\$ (161,140)	\$ 23,946,949	\$ 9,365,682	\$ 50,668	\$ 25,644
Change in net position					\$ 1,433,816	\$ 1,620,924	\$ 3,054,740	\$ 2,570,833	\$ (211,708)	\$ (69,630)
Net position (deficit) - beginning, as restated					\$ 13,278,091	\$ 13,580,979	\$ 26,859,070	\$ (42,090,133)	\$ 114,674	\$ 5,639,553
Net position (deficit) - ending					\$ 14,711,907	\$ 15,201,903	\$ 29,913,810	\$ (39,519,300)	\$ (97,034)	\$ 5,569,923

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

County of Smyth, Virginia
Balance Sheet
Governmental Fund
June 30, 2018

	<u>General</u>
ASSETS	
Investments	\$ 11,318,714
Receivables (net of allowance for uncollectibles):	
Taxes receivable	22,229,501
Accounts receivable	218,785
Due from other governmental units	1,660,714
Prepaid items	184,089
Total assets	<u>\$ 35,611,803</u>
LIABILITIES	
Accounts payable	\$ 731,642
Accrued liabilities	174,906
Due to component unit	1,325,083
Cash bond held in escrow	21,875
Reconciled overdraft	617,962
Total liabilities	<u>\$ 2,871,468</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue-property taxes	\$ 22,005,356
Property taxes paid in advance	231,722
Total deferred inflows of resources	<u>\$ 22,237,078</u>
FUND BALANCES	
Nonspendable:	
Prepaid items	\$ 184,089
Restricted (See note 27)	1,480,166
Committed (See note 27)	945,049
Unassigned	7,893,953
Total fund balances	<u>\$ 10,503,257</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 35,611,803</u>

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

County of Smyth, Virginia
 Reconciliation of the Balance Sheet of Governmental Fund
 To the Statement of Net Position
 June 30, 2018

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Fund		\$ 10,503,257
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Land	\$ 664,940	
Buildings and improvements	46,620,007	
Infrastructure	31,999	
Machinery and equipment	<u>2,880,304</u>	50,197,250
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Unavailable revenue - property taxes	\$ 3,793,628	
Investment in the Smyth-Washington Industrial Facilities Authority	<u>1,285,009</u>	5,078,637
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		
Deferred charge on refunding	\$ 1,384,824	
Pension related items	754,457	
OPEB related items	<u>36,026</u>	2,175,307
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	\$ (29,697,422)	
School construction bonds	(9,507,508)	
Bond premium (to be amortized over life of debt)	(2,978,554)	
Capital leases	(1,988,000)	
Accrued interest payable	(348,035)	
Landfill postclosure liability	(319,483)	
Compensated absences	(847,372)	
Net pension liability	(3,262,951)	
Net OPEB liabilities	<u>(1,952,948)</u>	(50,902,273)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
Pension related items	\$ (2,264,218)	
OPEB related items	<u>(76,053)</u>	(2,340,271)
Net position of governmental activities		<u><u>\$ 14,711,907</u></u>

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

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

	<u>General</u>
REVENUES	
General property taxes	\$ 17,124,424
Other local taxes	3,529,183
Permits, privilege fees, and regulatory licenses	129,113
Fines and forfeitures	928,528
Revenue from the use of money and property	269,998
Charges for services	1,060,644
Miscellaneous	258,209
Recovered costs	848,829
Intergovernmental	11,376,635
Total revenues	\$ 35,525,563
EXPENDITURES	
Current:	
General government administration	\$ 2,637,943
Judicial administration	1,683,976
Public safety	8,814,969
Public works	2,190,945
Health and welfare	7,027,227
Education	7,984,685
Parks, recreation, and cultural	772,090
Community development	258,773
Debt service:	
Principal retirement	2,010,009
Interest and other fiscal charges	1,801,007
Total expenditures	\$ 35,181,624
Excess (deficiency) of revenues over (under) expenditures	\$ 343,939
OTHER FINANCING SOURCES (USES)	
Transfers in	\$ 161,140
Net change in fund balances	\$ 505,079
Fund balances - beginning, as restated	9,998,178
Fund balances - ending	\$ 10,503,257

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

County of Smyth, Virginia
 Reconciliation of the Statement of Revenues,
 Expenditures, and Changes in Fund Balances of Governmental Fund
 to the Statement of Activities
 For the Year Ended June 30, 2018

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

Net change in fund balances - total governmental fund	\$	505,079
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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 outlays in the current period.

Capital outlays	\$ 475,421	
Depreciation expenses	<u>(2,784,145)</u>	(2,308,724)

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

Property taxes	\$ 70,159	
Change in value of the investment in the Smyth-Washington Industrial Facilities Authority	<u>(130,804)</u>	(60,645)

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt 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 debt and related items.

Debt issued or incurred:		
Increase in accrued landfill closure/postclosure liability	\$ (5,649)	
Principal repayments:		
General obligation bonds	1,079,332	
School construction bonds	618,677	
Capital leases	<u>312,000</u>	2,004,360

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	\$ (79,101)	
Change in accrued interest payable	7,875	
Pension expense	1,072,265	
OPEB expense	(65,019)	
Amortization of bond premium	456,642	
Amortization of deferred charge on refunding	<u>(98,916)</u>	1,293,746

Change in net position of governmental activities	\$	<u>1,433,816</u>
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The notes to the financial statements are an integral part of this statement.

County of Smyth, Virginia
Statement of Net Position
Proprietary Fund
June 30, 2018

	Enterprise Fund Water and Sewer
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 5,204
Accounts receivable, net of allowance for uncollectibles	307,620
Due from other governmental units	98,653
Total current assets	\$ 411,477
Noncurrent assets:	
Capital assets:	
Land	\$ 44,831
Utility plant in service	51,825,547
Machinery and equipment	698,641
Construction in progress	98,653
Accumulated depreciation	(25,939,370)
Total capital assets	\$ 26,728,302
Total noncurrent assets	\$ 26,728,302
Total assets	\$ 27,139,779
DEFERRED OUTFLOWS OF RESOURCES	
Pension related items	\$ 23,744
OPEB related items	815
Total deferred outflows of resources	\$ 24,559
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 279,058
Customers' deposits	1,956
Accrued interest payable	71,449
Compensated absences - current portion	30,604
Bonds payable - current portion	552,556
Total current liabilities	\$ 935,623
Noncurrent liabilities:	
Compensated absences - net of current portion	\$ 10,201
Bonds payable - net of current portion	10,705,835
Net OPEB liabilities	80,240
Net pension liability	134,272
Total noncurrent liabilities	\$ 10,930,548
Total liabilities	\$ 11,866,171
DEFERRED INFLOWS OF RESOURCES	
Pension related items	\$ 93,139
OPEB related items	3,125
Total deferred inflows of resources	\$ 96,264
NET POSITION	
Net investment in capital assets	\$ 15,469,911
Unrestricted (deficit)	(268,008)
Total net position	\$ 15,201,903

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

County of Smyth, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2018

	Enterprise Fund
	Water and Sewer
OPERATING REVENUES	
Charges for services:	
Water revenues	\$ 1,364,778
Sewer revenues	782,571
Connection fees	12,000
Penalties	12,630
Service charges	18,901
Application fees	2,525
Miscellaneous	1,987
Total operating revenues	\$ 2,195,392
OPERATING EXPENSES	
Personnel services	\$ 412,741
Water purchases	360,546
Water and wastewater service	389,962
Automotive expenses	18,848
Office supplies	2,559
Uniforms	2,419
Utilities	55,275
Permits	5,422
Postage	12,105
Telephone	6,063
Maintenance supplies	32,781
Repair and maintenance	26,327
County funded projects	27,155
Miscellaneous	1,522
Depreciation	1,397,438
Total operating expenses	\$ 2,751,163
Operating income (loss)	\$ (555,771)
NONOPERATING REVENUES (EXPENSES)	
Interest expense	\$ (193,148)
Income (loss) before capital contributions, construction grants, and transfers	\$ (748,919)
Capital contributions and construction grants	
Federal Grants	\$ 2,324,043
Other contributions and grants	206,940
Total capital contributions and construction grants	\$ 2,530,983
Transfers out	(161,140)
Change in net position	\$ 1,620,924
Total net position - beginning, as restated	13,580,979
Total net position - ending	\$ 15,201,903

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

County of Smyth, Virginia
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2018

	<u>Enterprise Fund Water and Sewer</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 2,222,194
Payments to suppliers	(1,357,595)
Payments to employees	(428,406)
Net cash provided by (used for) operating activities	<u>\$ 436,193</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers to other funds	<u>\$ (161,140)</u>
Net cash provided by (used for) noncapital financing activities	<u>\$ (161,140)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Additions to utility plant	\$ (2,857,424)
Proceeds from bonds	2,931,176
Principal payments on bonds	(2,438,480)
Contributions in aid of construction	2,432,330
Interest payments	(347,451)
Net cash provided by (used for) capital and related financing activities	<u>\$ (279,849)</u>
Net increase (decrease) in cash and cash equivalents	\$ (4,796)
Cash and cash equivalents - beginning	10,000
Cash and cash equivalents - ending	<u><u>\$ 5,204</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	<u>\$ (555,771)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	\$ 1,397,438
(Increase) decrease in accounts receivable	26,531
(Increase) decrease in deferred outflows of resources	42,166
Increase (decrease) in customer deposits	271
Increase (decrease) in accounts payable	(416,611)
Increase (decrease) in compensated absences	9,672
Increase (decrease) in net OPEB liabilities	(410)
Increase (decrease) in net pension liability	(119,770)
Increase (decrease) in deferred inflows of resources	52,677
Total adjustments	<u>\$ 991,964</u>
Net cash provided by (used for) operating activities	<u><u>\$ 436,193</u></u>

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

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

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 67,216
Investments	53,431
Total assets	<u>\$ 120,647</u>
LIABILITIES	
Amounts held for social services clients	\$ 120,647
Total liabilities	<u>\$ 120,647</u>

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

COUNTY OF SMYTH, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Note 1-Summary of Significant Accounting Policies:

The financial statements of the County of Smyth, Virginia (“the County”) conform to generally accepted accounting principles (GAAP) applicable to governmental 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 Smyth, Virginia (government) is a municipal corporation governed by an elected seven-member Board of Supervisors. The accompanying financial statements present the government and its component units, 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 - None

Discretely Presented Component Units - The component unit columns in the financial statements include the financial data of the County’s discretely presented component units.

The Smyth County School Board (“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 issue separate financial statements.

The Smyth County Economic Development Authority (“EDA”) encourages and provides financing for industrial development in the County. The EDA board members are appointed by the Board of Supervisors. The EDA is fiscally dependent upon the County because the County provides significant funding and approves all debt issuances. In addition, the EDA does not have separate taxing powers. The EDA is presented as an enterprise fund type. The EDA does not issue separate financial statements.

The Smyth County Public Library (“Library”) was originally established as a jointly owned regional library by the counties of Smyth and Bland, Smyth-Bland Regional Library, located in Marion, Virginia with three branches in Chilhowie, Saltville, and Bland. Starting in fiscal year 2018, the Library is no longer regional. The County provides funding annually to the library to fund capital and operating expenditures. The County owns the library building and reports it and other operating equipment purchased for the library in the government-wide statements. For the year ended June 30, 2018, the County contributed \$700,000 to the Library. As a result, there is a fiscal dependency on the county. The Library issues separate financial statements that can be obtained by contacting the Library at 118 S. Sheffey Street, Marion, VA 24354.

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

A. Financial Reporting Entity (Continued)

Related Organizations - The County, in conjunction with other local jurisdictions, participates in supporting the Mount Rogers Community Services Board and Appalachian Juvenile Commission. The governing bodies of these organization are appointed by the respective governing bodies of the participating jurisdictions. For the year ended June 30, 2018, the County contributed \$166,022 to the Community Services Board and \$243,468 to the Juvenile Commission. The County does not have any ongoing financial responsibility for these organization.

Jointly Governed/ Joint Venture Organizations - The County, in conjunction with other localities, participates in supporting the following:

The Counties of Smyth and Wythe and the Towns of Marion and Wytheville established the Smyth-Wythe Airport Commission. For the year ended June 30, 2018, the County contributed \$47,709 to the Airport Commission.

The Counties of Smyth, Buchanan, Dickenson, Lee, Russell, Scott, Washington, Wise, and the City of Norton established the Southwest Virginia Regional Jail Authority for the purpose of constructing and operating a jail facility for the participating localities. For the year ended June 30, 2018, The County paid fees in the amount of \$2,928,133 to the Authority.

The County along with the County of Washington created the Smyth-Washington Regional Industrial Facilities Authority (SWIFA) for the purpose of promoting economic development. This entity is considered a joint venture for the participating jurisdictions. In accordance with the Authority's operating agreement, Smyth County will receive 50% of the proceeds of any land sold in the Highlands Business Park (owned by the Authority). As such, the County has recorded an investment in SWIFA in the accompanying statement of net position for one-half of the carrying value of this asset.

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 units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of net position is designed to display the financial position of the primary government (governmental and business-type activities) and its discretely presented component units. 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.

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

B. Government-wide and fund financial statements

The government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

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.

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

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, with the exception of agency funds (discussed below). 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.

Agency funds use the accrual basis of accounting, but have no measurement focus as they do not report equity.

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

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

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

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

The *General Fund* is the government's primary operating fund. It is used to account for and report all financial resources of the general government, except those required to be accounted for and reported in other funds.

The government reports the following major proprietary fund:

The County operates a sewage collection and treatment system and a water distribution system. The activities of the system are accounted for in the Water and Sewer Fund.

Additionally, the government reports the following fund types:

Fiduciary funds account for and report assets held by the government in a trustee capacity or as agent or custodian for individuals, private organizations, other governmental units, or other funds. The agency fund includes the Special Welfare Fund.

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 water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

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

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 enterprise fund are charges to customers for sales and services. The County also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

1. Cash and cash equivalents

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

2. Investments

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.

3. 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". All other outstanding balances between funds are reported as "advances to/from other funds" (i.e. the noncurrent portion of interfund loans).

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

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

4. Property Taxes

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

5. 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 \$720,535 at June 30, 2018. The allowance consists of delinquent taxes in the amount of \$620,675 and delinquent water and sewer bills of \$99,860.

6. 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.

7. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. In accordance with the provisions of Governmental Accounting Standards No. 16, Accounting for Compensated Absences, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be taken as "terminal leave" prior to retirement. 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.

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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)

8. Capital assets

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

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

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

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 and improvements	20-40
Machinery and equipment	3-20
Water and wastewater systems	20-40
Infrastructure	30-35

9. Pensions

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

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

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

10. Long-term obligations

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

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

11. Fund equity

The County reports fund balances in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The County evaluated its funds at June 30, 2018 and classified fund balance into the following five categories:

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

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

Committed -The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The County Board of Supervisors is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

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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. Fund equity (Continued)

Assigned -Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The County Board of Supervisors (Board) has by resolution authorized the Treasurer to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment. At year end the assigned fund balance represents an amount necessary to balance the subsequent year's budget (i.e. budgeted use of reserves).

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

12. Net Position

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

13. Net Position Flow Assumption

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

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

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

14. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The consumption method is used in governmental funds to report prepaid items.

15. Restricted Assets

Restricted assets consist of cash and cash equivalents that are legally restricted for use by enabling state legislation, grant awards or lease agreements.

16. Inventories

All inventories are valued at cost using the first in/first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when purchased.

17. 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 (expense/expenditure) until then. The County has two items that qualifies for reporting in this category. One item is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The other item is comprised of certain items related to the measurement of the net pension liability 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.

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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)

17. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has multiple types of items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30th, taxes levied during the fiscal year but due after June 30th, and property taxes paid in advance. Under the accrual basis, taxes levied during the fiscal year but due after June 30th and property taxes paid in advance are deferred and recognized as an inflow of resources in the period that the amounts become available. 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.

18. Other Postemployment Employee Benefits (OPEB)

Group Life Insurance

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

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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)

18. Other Postemployment Employee Benefits (OPEB) (Continued)

Teacher Employee Health Insurance Credit Program

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

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 March 30, 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, Water and Sewer Fund, 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 department level or categorical level (School Board). Only the Board of Supervisors can revise the appropriation for each department or fund. The County Administrator is authorized to transfer budgeted amounts within general government departments; however, School Board appropriations are made at categorical level.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund. The School Fund is integrated only at the level of legal adoption.

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

A. Budgetary information (Continued)

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.
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 the fiscal year ended June 30, 2018, expenditures did not exceed appropriations in any departments.

C. Deficit fund equity

At June 30, 2018, the Library fund reported negative equity.

Note 3-Deposits and Investments:

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

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).

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Note 3-Deposits and Investments: (Continued)

Interest Rate Risk

The County has not adopted an investment policy for interest rate risk. Investments subject to interest rate risk are presented below along with their corresponding maturities.

Investment Type	Investment Maturities (in years)		
	Fair Value	1 Year	1-5 Years
Certificate of Deposits	\$ 13,020,535	\$ -	\$ 13,020,535

Custodial Credit Risk

At year end, the County was not exposed to any custodial credit risk for deposits or investments. The County limits deposits to those banks fully collateralized under the Commonwealth's Security for Public Deposits Act. The County policy in regards to investments requires that all investments be held in the County's name.

Note 4-Due from Other Governmental Units:

The following represents amounts due from other governments at year-end:

	Primary Government	Component Unit-School Board
<u>Local Government:</u>		
Southwest Virginia Regional Jail	\$ 195,773	\$ -
<u>Commonwealth of Virginia:</u>		
Local sales tax	370,297	-
Categorical aid-State sales tax	-	586,822
Categorical aid-Other	369,639	388,000
Non-categorical aid	156,767	-
Categorical aid-Virginia Public Assistance	118,754	-
Categorical aid-Comprehensive Services Act	341,230	-
<u>Federal Government:</u>		
Categorical aid-Virginia Public Assistance	206,907	-
Categorical aid-Other	-	1,105,046
Totals	\$ 1,759,367	\$ 2,079,868

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 5-Component-Unit Contributions and Obligations:

Primary government contributions to component units for the year ended June 30, 2018, consisted of payments to School Board of \$7,929,371.

<u>Fund</u>	<u>Due to Primary Government/ Component Unit</u>	<u>Due from Primary Government/ Component Unit</u>
Primary Government:		
General Fund	\$ 1,325,083	\$ -
Component Unit:		
School Board	\$ -	\$ 1,258,096
EDA	-	66,987
Totals	<u>\$ 1,325,083</u>	<u>\$ 1,325,083</u>

Note 6-Interfund Transfers and Balance:

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 and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgeting authorization.

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 161,140	\$ -
Water and Sewer Fund	-	161,140
Total	<u>\$ 161,140</u>	<u>\$ 161,140</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 7-Long-Term Obligations:

Primary Government - Governmental Activities Obligations:

The following is a summary of long-term obligation transactions of the County for the year ended June 30, 2018.

	Balance July 1, 2017 As restated	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2018
General Obligation Bonds	\$ 30,776,754	\$ -	\$ (1,079,332)	\$ 29,697,422
Unamortized Premiums	3,435,196	-	(456,642)	2,978,554
School Construction Bonds	10,126,185	-	(618,677)	9,507,508
Capital Leases	2,300,000	-	(312,000)	1,988,000
Landfill closure/post-closure liability	313,834	5,649	-	319,483
Compensated absences	768,271	655,304	(576,203)	847,372
Net OPEB liabilities	1,962,908	116,797	(126,757)	1,952,948
Net pension liability	6,283,955	3,481,045	(6,502,049)	3,262,951
	<u>\$ 55,967,103</u>	<u>\$ 4,258,795</u>	<u>\$ (9,671,660)</u>	<u>\$ 50,554,238</u>
Total				

For governmental activities, the net pension liability, net OPEB liabilities, compensated absences and the landfill closure/post-closure liability are generally liquidated in the General Fund.

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

Year Ending June 30,	General Obligation Bonds		School Construction Bonds	
	Principal	Interest	Principal	Interest
2019	\$ 1,047,699	\$ 1,224,806	\$ 663,677	\$ -
2020	901,242	1,184,675	868,677	-
2021	919,935	1,147,036	893,677	-
2022	806,883	1,114,276	1,028,677	-
2023	1,627,040	1,059,680	628,677	-
2024-2028	10,864,623	3,818,671	3,143,385	-
2029-2033	11,570,000	1,186,079	2,083,385	-
2034-2036	1,960,000	105,967	197,353	-
	<u>\$ 29,697,422</u>	<u>\$ 10,841,190</u>	<u>\$ 9,507,508</u>	<u>\$ -</u>
Totals				

COUNTY OF SMYTH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 7-Long-Term Obligations: (Continued)

Primary Government - Governmental Activities Obligations: (Continued)

Details of long-term obligations:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
<u>General Obligation Bonds:</u>						
School construction GO Bonds	4.975-5.850%	11/1/2000	2020	1,836,901	\$ 344,123	\$ 111,288
School construction GO Bonds	4.100-5.600%	11/10/2004	2024	117,994	48,299	6,411
General Obligation bond series 2011A	2.000-5.000%	12/5/2011	2032	26,985,000	1,605,000	310,000
General Obligation bond series 2014C	2.050-5.050%	11/20/2014	2036	10,970,000	9,760,000	500,000
General Obligation bond series 2017	2.000-5.000%	4/26/2017	2032	17,980,000	17,940,000	120,000
Total General Obligation Bonds					<u>\$ 29,697,422</u>	<u>\$ 1,047,699</u>
<u>Bond Premiums:</u>						
Unamortized premium on issuance	n/a	n/a	n/a	n/a	\$ 30,496	\$ 13,189
Unamortized premium on issuance	n/a	n/a	n/a	n/a	754,681	132,993
Unamortized premium on issuance	n/a	n/a	n/a	n/a	2,755	419
Unamortized premium on issuance	n/a	n/a	n/a	n/a	2,190,622	283,550
Total bond premiums					<u>\$ 2,978,554</u>	<u>\$ 430,151</u>
<u>School Construction QSCB Bonds:</u>						
School construction	0.000%	10/31/2012	2034	2,170,893	\$ 1,677,508	\$ 98,677
School construction	0.000%	12/15/2011	2031	9,500,000	7,830,000	565,000
Total School Construction Bonds					<u>\$ 9,507,508</u>	<u>\$ 663,677</u>
<u>Other Long-term Obligations:</u>						
Capital leases					\$ 1,988,000	\$ 318,000
Landfill closure/post-closure liability					319,483	-
Compensated absences					847,372	635,529
Net pension liability					3,262,951	-
Net OPEB liabilities					1,952,948	-
Total Other Long-term Obligations					<u>\$ 8,370,754</u>	<u>\$ 953,529</u>
Total Long-term Obligations					<u>\$ 50,554,238</u>	<u>\$ 3,095,056</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 7-Long-Term Obligations: (Continued)

Primary Government - Business-type Activities Obligations:

The following is a summary of long-term obligation transactions of the Enterprise Fund for the year ended June 30, 2018.

	Balance July 1, 2017 <u>As restated</u>	Increases/ <u>Issuances</u>	Decreases/ <u>Retirements</u>	Balance June 30, 2018
GO and Revenue Bonds	\$ 9,862,216	\$ 2,931,176	\$ (2,438,480)	\$ 10,354,912
Unamortized premium	1,054,625	-	(151,146)	903,479
Compensated absences	31,133	33,022	(23,350)	40,805
Net OPEB liabilities	80,650	4,799	(5,209)	80,240
Net pension liability	<u>254,042</u>	<u>147,790</u>	<u>(267,560)</u>	<u>134,272</u>
 Total	 <u>\$ 11,282,666</u>	 <u>\$ 3,116,787</u>	 <u>\$ (2,885,745)</u>	 <u>\$ 11,513,708</u>

For business-type activities, the net pension liability, net OPEB liabilities, and compensated absences are generally liquidated in the Water and Sewer Fund. Annual requirements to amortize long-term obligations and the related interest are as follows:

Year Ending June 30,	<u>GO and Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 411,002	\$ 375,168
2020	422,557	358,345
2021	479,564	339,119
2022	500,989	317,988
2023	524,489	295,756
2024-2028	2,952,526	1,116,508
2029-2033	2,021,893	570,913
2034-2038	1,032,180	339,640
2039-2043	712,412	218,488
2044-2048	566,975	117,935
2049-2053	359,909	58,381
2054-2058	<u>370,416</u>	<u>20,273</u>
Totals	<u>\$ 10,354,912</u>	<u>\$ 4,128,514</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 7-Long-Term Obligations: (Continued)

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

Details of long-term obligations:

Type/ Project	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
Revenue Bonds and GO Bonds:						
VRA Revenue Bond	2.500%	10/17/2001	2032	133,300	\$ 75,212	\$ 4,548
VRA Revenue Bond	0.000%	3/5/2004	2034	503,049	274,624	16,769
VRA Revenue Bond	0.000%	11/26/2008	2029	473,000	260,150	23,650
VRA Revenue Bond	3.779-5.125%	5/25/2016	2016	6,420,000	5,805,000	325,000
Rural Development GO Bond	3.250%	2/14/2005	2045	1,500,000	1,223,500	29,718
Rural Development GO Bond	4.000%	2/11/2010	2049	123,500	108,327	1,831
Rural Development GO Bond	2.750%	2/11/2010	2049	121,500	107,924	2,334
Rural Development GO Bond	4.500%	2/13/2009	2048	500,000	456,175	7,152
Rural Development GO Bond	2.125%	6/21/2018	2058	2,044,000	2,044,000	-
Total Bonds					\$ 10,354,912	\$ 411,002
Add:						
Unamortized premium on issuance	n/a	n/a	n/a	n/a	903,479	141,554
Net Bonds					\$ 11,258,391	\$ 552,556
Other Obligations:						
Compensated Absences	n/a	n/a	n/a	n/a	\$ 40,805	\$ 30,604
Net OPEB liabilities	n/a	n/a	n/a	n/a	80,240	-
Net pension liability	n/a	n/a	n/a	n/a	134,272	-
Total Other Obligations					\$ 255,317	\$ 30,604
Total Long-term obligations					\$ 11,513,708	\$ 583,160

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Note 8-Long-Term Obligations-Component Units:

Discretely Presented Component Unit - School Board Obligations:

The following is a summary of long-term obligation transactions of the Component Unit-School Board for the year ended June 30, 2018.

	Balance July 1, 2017 As restated	Increases	Decreases	Balance June 30, 2018
Net OPEB liabilities	\$ 11,260,000	\$ 649,000	\$ (1,133,000)	\$ 10,776,000
Employee retirement incentive plan	65,965	-	(42,522)	23,443
Compensated absences	454,925	338,394	(341,194)	452,125
Net pension liability	43,710,287	7,598,541	(14,512,713)	36,796,115
 Total	 \$ 55,491,177	 \$ 8,585,935	 \$ (16,029,429)	 \$ 48,047,683

Details of long-term obligations:

	Balance Component Unit School Board	Amount Due Within One Year
<u>Other long-term obligations:</u>		
Net OPEB liabilities	\$ 10,776,000	\$ -
Employee retirement incentive plan	23,443	23,443
Compensated absences	452,125	339,094
Net pension liability	36,796,115	-
 Total long-term obligations	 \$ 48,047,683	 \$ 362,537

The net pension liability, net OPEB liabilities, employee retirement incentive plan, and compensated absences of the Component Unit - School Board are liquidated by the School Operating Fund.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 9-Capital Leases

Primary Government:

The County entered into lease agreements for the acquisition of an HVAC system, school buses, and a solid waste truck.

The costs of the assets acquired through capital leases are as follows:

Asset:	Truck	School Buses	HVAC
Equipment	\$ 137,086	\$ 402,710	\$ 1,700,000
Less: Accumulated Depreciation	(42,365)	(117,835)	(73,589)
Net	<u>\$ 94,721</u>	<u>\$ 284,875</u>	<u>\$ 1,626,411</u>

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

Year Ending June 30,	Capital Leases
2019	\$ 350,054
2020	349,695
2021	349,252
2022	348,725
2023	349,105
2024	<u>349,915</u>
Sub-total	\$ 2,096,746
Less, amount representing interest	<u>(108,746)</u>
Present Value of Lease Agreements	<u>\$ 1,988,000</u>

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Note 10-Pension Plan:

Plan Description

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

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

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

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

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.</p>	<p>About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.</p> <ul style="list-style-type: none"> • The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.

Note 10-Pension Plan: (Continued)

Plan Description (Continued)

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

Note 10-Pension Plan: (Continued)

Plan Description (Continued)

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

Note 10-Pension Plan: (Continued)

Plan Description (Continued)

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

Note 10-Pension Plan: (Continued)

Plan Description (Continued)

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

Note 10-Pension Plan: (Continued)

Plan Description (Continued)

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

Note 10-Pension Plan: (Continued)

Plan Description (Continued)

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

Note 10-Pension Plan: (Continued)

Plan Description (Continued)

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

Note 10-Pension Plan: (Continued)

Plan Description (Continued)

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

Note 10-Pension Plan: (Continued)

Plan Description (Continued)

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

Note 10-Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p>	<p>Disability Coverage Employees of political subdivisions and School divisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>
<p>Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions: •Hybrid Retirement Plan members are ineligible for ported service.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p>

Pension Plan Data

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

Note 10-Pension Plan: (Continued)

Contributions

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

The County's contractually required employer contribution rate for the year ended June 30, 2018 was 10.02% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were \$693,662 and \$694,789 for the years ended June 30, 2018 and June 30, 2017, respectively.

Net Pension Liability

At June 30, 2018, the County reported a liability of \$3,397,223 for its proportionate share of the net pension liability. The County's net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017. In order to allocate the net pension liability to all the employers included in the plan, the County is required to determine its proportionate share of the net pension. Retirement contributions for the year ended June 30, 2017 and 2016 were used as a basis for allocation to determine the County's proportionate share of the net pension liability at June 30, 2017 and June 30, 2016, respectively. At June 30, 2017 and 2016, the County's proportion was 94.2695% and 92.9804%, respectively.

Note 10-Pension Plan: (Continued)

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the County of Smyth Retirement Plan and the Smyth County Schools Retirement Plan was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

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

* 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.

Note 10-Pension Plan: (Continued)

Actuarial Assumptions - General Employees (Continued)

Post-Disablement:

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

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

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 of Smyth Retirement Plan was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Note 10-Pension Plan: (Continued)

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

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*

* 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.

Note 10-Pension Plan: (Continued)

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

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

Largest 10 - Hazardous Duty:

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

All Others (Non 10 Largest) - Hazardous Duty:

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

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Note 10-Pension Plan: (Continued)

Long-Term Expected Rate of Return

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

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

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

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Note 10-Pension Plan: (Continued)

Discount Rate

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

Sensitivity of the 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>(6.00%)</u>	<u>Current</u> <u>Discount Rate</u> <u>(7.00%)</u>	<u>1% Increase</u> <u>(8.00%)</u>
County's proportionate share of the County Retirement Plan Net Pension Liability (Asset)	\$ 8,543,095	\$ 3,397,223	\$ (884,005)

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

For the year ended June 30, 2018, the County recognized pension expense of \$(411,597). 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 10-Pension Plan: (Continued)

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

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

	Primary Government	
	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ -	\$ 1,643,844
Change in assumptions	-	188,914
Net difference between projected and actual earnings on pension plan investments	-	524,599
Changes in proportion and differences between employer contributions and proportionate share of contributions	84,539	-
Employer contributions subsequent to the measurement date	<u>693,662</u>	<u>-</u>
Total	<u>\$ 778,201</u>	<u>\$ 2,357,357</u>

\$693,662 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year Ended June 30</u>	<u>Primary Government</u>
2019	\$ (1,259,350)
2020	(597,127)
2021	(71,558)
2022	(344,784)

Note 10-Pension Plan: (Continued)

Plan Description

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

Employees Covered by Benefit Terms

As of the June 30, 2016 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Component Unit School Board Nonprofessional</u>
Inactive members or their beneficiaries currently receiving benefits	108
Inactive members:	
Vested inactive members	10
Non-vested inactive members	25
Inactive members active elsewhere in VRS	<u>24</u>
Total inactive members	59
Active members	<u>123</u>
Total covered employees	<u><u>290</u></u>

Contributions

The Component Unit School Board’s contractually required contribution rate for nonprofessional employees for the year ended June 30, 2018 was 9.99% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board’s nonprofessional employees were \$208,889 and \$211,186 for the years ended June 30, 2018 and June 30, 2017, respectively.

Note 10-Pension Plan: (Continued)

Component Unit School Board (nonprofessional) (Continued)

Net Pension Liability

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

	Component Unit School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
	(a)	(b)	(a) - (b)
Balances at June 30, 2016	\$ 12,937,349	\$ 10,777,062	\$ 2,160,287
Changes for the year:			
Service cost	\$ 235,070	\$ -	\$ 235,070
Interest	877,621	-	877,621
Differences between expected and actual experience	(191,498)	-	(191,498)
Assumption changes	(2,989)	-	(2,989)
Contributions - employer	-	211,195	(211,195)
Contributions - employee	-	116,397	(116,397)
Net investment income	-	1,284,634	(1,284,634)
Benefit payments, including refunds of employee contributions	(799,816)	(799,816)	-
Administrative expenses	-	(7,718)	7,718
Other changes	-	(1,132)	1,132
Net changes	\$ 118,388	\$ 803,560	\$ (685,172)
Balances at June 30, 2017	\$ 13,055,737	\$ 11,580,622	\$ 1,475,115

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Note 10-Pension Plan: (Continued)

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

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

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
Component Unit School Board (nonprofessional) Net Pension Liability	\$ 2,873,497	\$ 1,475,115	\$ 287,714

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

For the year ended June 30, 2018, the Component Unit School Board (nonprofessional) recognized pension expense of \$(35,810). At June 30, 2018, the Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Component Unit School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 213,294
Change in assumptions	-	1,906
Net difference between projected and actual earnings on pension plan investments	-	156,902
Employer contributions subsequent to the measurement date	208,889	-
Total	<u>\$ 208,889</u>	<u>\$ 372,102</u>

Note 10-Pension Plan: (Continued)

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

\$208,889 reported as deferred outflows of resources related to pensions resulting from the Component Unit School Board’s (nonprofessional) contributions, respectively, subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year Ended June 30</u>	<u>Component Unit School Board (nonprofessional)</u>
2019	\$ (263,233)
2020	(4,820)
2021	5,365
2022	(109,414)

Component Unit School Board (professional)

Plan Description

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

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each school division’s contractually required employer contribution rate for the year ended June 30, 2018 was 16.32% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and reflects the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the school division were \$3,601,232 and \$3,268,316 for the years ended June 30, 2018 and June 30, 2017, respectively.

Note 10-Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

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

At June 30, 2018, the school division reported a liability of \$35,321,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2017 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2016 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the school division's proportion was 0.28721% as compared to 0.29649% at June 30, 2016.

For the year ended June 30, 2018, the school division recognized pension expense of \$1,531,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2018, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Component Unit-School Board (professional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 2,501,000
Change in assumptions	515,000	-
Net difference between projected and actual earnings on pension plan investments	-	1,283,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	3,280,000
Employer contributions subsequent to the measurement date	3,601,232	-
Total	\$ 4,116,232	\$ 7,064,000

Note 10-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)

\$3,601,232 reported as deferred outflows of resources related to pensions resulting from the school division’s contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year Ended June 30</u>	<u>Component Unit School Board (professional)</u>
2019	\$ (2,462,000)
2020	(1,092,000)
2021	(1,173,000)
2022	(1,560,000)
2023	(262,000)

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

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

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

Note 10-Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Actuarial Assumptions (Continued)

Mortality rates:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

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Note 10-Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Net Pension Liability

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

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

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

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

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

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset)	\$ 52,746,000	\$ 35,321,000	\$ 20,907,000

Note 10-Pension Plan: (Continued)

Pension Plan Fiduciary Net Position

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

Note 11-Other Postemployment Benefits-Health Insurance:

In addition to the pension benefits described in Note 10, the County and School Board administer single-employer defined benefit healthcare plan. The plans provide postemployment health care benefits to all eligible permanent employees who meet the requirements under the County’s and School Board’s pension plans. The plans do not issue a publicly available financial report.

Benefits Provided

A retiree, eligible for post-retirement medical coverage, is defined as a full-time employee who retires directly from the County or School Board and is eligible to receive an early or regular retirement benefit from VRS. Employees applying for early or regular retirement are eligible to continue participation in the Retiree Health Plans sponsored by the County and School Board. Employees at the County and School Board are allowed to stay on the plan until death of the employee. The employee pays 100% of the required premium.

Plan Membership

At July 1, 2017 (measurement date), the following employees were covered by the benefit terms:

	Primary Government	Component Unit - School Board
Total active employees with coverage	182	649
Total retirees with coverage	2	72
Total	184	721

Contributions

The 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 County Board. The amount paid by the County for OPEB as the benefits came due during the year ended June 30, 2018 was \$18,000. The amount paid by the School Board for OPEB as the benefits came due during the year ended June 30, 2018 was \$299,000.

Note 11-Other Postemployment Benefits-Health Insurance: (Continued)

Total OPEB Liability

The County’s and School Board’s total OPEB liability was measured as of July 1, 2017. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

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

Primary Government:

Inflation	2.50%
Healthcare Cost Trend Rates	9.20% for fiscal year end 2017, decreasing to 4.10% for fiscal year end 2018, reverting to 7.00% the next year, and then decreasing 0.50% per year to an ultimate rate of 5.00%.
Salary Increases	2.50% annually
Discount Rate	3.56%

Mortality rates use RP-2014 Fully Generational Mortality Table, with base year 2006, using two-dimensional improvement scale MP-2017.

Component Unit-School Board:

Inflation	2.50%
Healthcare Cost Trend Rates	17.00% for fiscal year end 2017, reverting to 7.50% for fiscal year end 2018, decreasing 0.50% per year to an ultimate rate of 5.00%.
Salary Increases	2.50% annually
Discount Rate	3.56%

Mortality rates use RP-2014 Fully Generational Mortality Table, with base year 2006, using two-dimensional improvement scale MP-2017.

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Note 11-Other Postemployment Benefits-Health Insurance: (Continued)

Discount Rate

The discount rate used when OPEB plan investments are insufficient to pay for future benefit payments is selected from the Municipal GO AA 20-year curve. The final equivalent single discount rate used for this year’s valuation is 3.56% as of the end of the fiscal year with the expectation that the County will continue contributing the Actuarially Determined Contribution and paying the pay-go cost.

Changes in Total OPEB Liability

	<u>Primary Government</u>	<u>Component Unit -School Board</u>
	<u>Total OPEB Liability</u>	<u>Total OPEB Liability</u>
Balances at June 30, 2017	\$ 1,361,115	\$ 5,075,000
Changes for the year:		
Service cost	66,924	181,000
Interest	50,901	182,000
Contributions - employer	(16,967)	(299,000)
Net changes	<u>100,858</u>	<u>64,000</u>
Balances at June 30, 2018	<u>\$ 1,461,973</u>	<u>\$ 5,139,000</u>

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

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

Primary Government:

Rate		
1% Decrease (2.56%)	Current Discount Rate (3.56%)	1% Increase (4.56%)
\$ 1,620,330	\$ 1,461,973	\$ 1,318,698

Component Unit-School Board:

Rate		
1% Decrease (2.56%)	Current Discount Rate (3.56%)	1% Increase (4.56%)
\$ 5,589,000	\$ 5,139,000	\$ 4,727,000

Note 11-Other Postemployment Benefits-Health Insurance: (Continued)

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

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

Primary Government:

Rate		
Healthcare Cost		
1% Decrease (8.20)%	Trend Rates (9.20%)	1% Increase (10.20%)
\$ 1,271,568	\$ 1,461,973	\$ 1,689,139

Component Unit-School Board:

Rate		
Healthcare Cost		
1% Decrease (16.00)%	Trend Rates (17.00%)	1% Increase (18.00%)
\$ 4,572,000	\$ 5,139,000	\$ 5,807,000

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2018, the County and School Board recognized OPEB expense in the amount of \$117,825 and \$363,000, respectively. At June 30, 2018, the County and School Board reported no deferred outflows of resources and deferred inflows of resources related to OPEB.

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

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

Plan Description

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

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

Plan Description (Continued)

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

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

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

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

Plan Description (Continued)

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS (CONTINUED)
<p>Reduction in Benefit Amounts</p> <p>The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.</p>
<p>Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)</p> <p>For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute. The amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently \$8,111.</p>

Contributions

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

Contributions to the Group Life Insurance Program from the County were \$36,841 and \$36,388 for the years ended June 30, 2018 and June 30, 2017, respectively.

Contributions to the Group Life Insurance Program from the Component Unit-School Board (non-professional) were \$11,345 and \$11,647 for the years ended June 30, 2018 and June 30, 2017, respectively.

Contributions to the Group Life Insurance Program from the Component Unit-School Board (professional) were \$116,001 and \$117,551 for the years ended June 30, 2018 and June 30, 2017, respectively.

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 Group Life Insurance Program OPEB

At June 30, 2018, the County reported a liability of \$571,215 for its proportionate share of the Net GLI OPEB Liability.

At June 30, 2018, the Component Unit-School Board (non-professional) reported a liability of \$182,000 for its proportionate share of the Net GLI OPEB Liability.

At June 30, 2018, the Component Unit-School Board (professional) reported a liability of \$1,844,000 for its proportionate share of the Net GLI OPEB Liability.

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

At June 30, 2017, the County's proportion was 0.04024% as compared to 0.04137% at June 30, 2016.

At June 30, 2017, the Component Unit-School Board (non-professional) proportion was 0.01214% as compared to 0.01248% at June 30, 2016.

At June 30, 2017, the Component Unit-School Board (professional) proportion was 0.12255% as compared to 0.12612% at June 30, 2016.

For the year ended June 30, 2018, the County recognized GLI OPEB expense of \$3,771. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

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

For the year ended June 30, 2018, the Component-Unit School Board (professional) recognized GLI OPEB expense of \$10,000. 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.

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 Group Life Insurance Program OPEB (Continued)

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

	<u>Primary Government</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 12,254
Net difference between projected and actual earnings on GLI OPEB program investments	-	21,680
Change in assumptions	-	29,220
Changes in proportion	-	16,024
Employer contributions subsequent to the measurement date	<u>36,841</u>	<u>-</u>
Total	<u>\$ 36,841</u>	<u>\$ 79,178</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

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 Group Life Insurance Program OPEB (Continued)

	Component Unit School Board			
	Nonprofessional		Professional	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 4,000	\$ -	\$ 41,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	7,000	-	69,000
Change in assumptions	-	9,000	-	95,000
Changes in proportion	-	5,000	-	52,000
Employer contributions subsequent to the measurement date	11,345	-	116,001	-
Total	\$ 11,345	\$ 25,000	\$ 116,001	\$ 257,000

\$36,841, \$11,345, and \$116,001 reported as deferred outflows of resources related to the GLI OPEB resulting from the County's, Component-Unit School Board (Non-professional), and Component-Unit School Board (Professional), respectively, contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended	Primary Government	Component Unit-School Board (Non-professional)	Component Unit-School Board (Professional)
June 30			
2019	\$ (16,024)	\$ (5,000)	\$ (52,000)
2020	(16,024)	(5,000)	(52,000)
2021	(16,024)	(5,000)	(52,000)
2022	(16,024)	(5,000)	(52,000)
2023	(10,369)	(3,000)	(35,000)
Thereafter	(4,713)	(2,000)	(14,000)

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, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

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

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

Mortality Rates - General State Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Actuarial Assumptions (Continued)

Mortality Rates - General State Employees (Continued)

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

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

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.

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

Actuarial Assumptions (Continued)

Mortality Rates - Teachers (Continued)

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

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

Mortality Rates - SPORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Actuarial Assumptions (Continued)

Mortality Rates - SPORS Employees (Continued)

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

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

Mortality Rates - VaLORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Actuarial Assumptions (Continued)

Mortality Rates - VaLORS Employees (Continued)

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

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

Mortality Rates - JRS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Actuarial Assumptions (Continued)

Mortality Rates - JRS Employees (Continued)

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

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

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.

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

Actuarial Assumptions (Continued)

Mortality Rates - Largest Ten Locality Employers - General Employees (Continued)

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

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%

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.

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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 (Continued)

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered 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.

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

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

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.

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

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

NET GLI OPEB Liability

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

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

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

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:

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

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

Discount Rate

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

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

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

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

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
Proportionate share of the Group Life Net OPEB Liability:			
County	\$ 738,998	\$ 571,215	\$ 435,481
Component Unit-School Board (Nonprofessional)	\$ 236,000	\$ 182,000	\$ 139,000
Component Unit-School Board (Professional)	\$ 2,385,000	\$ 1,844,000	\$ 1,405,000

Group Life Insurance Program Fiduciary Net Position

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

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

Plan Description

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

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

Plan Description (Continued)

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

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

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, 2018 was 1.23% of covered employee compensation for employees in the VRS Teacher Employee Health Insurance Credit Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the school division to the VRS Teacher Employee Health Insurance Credit Program were \$274,110 and \$249,411 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, the school division reported a liability of \$3,611,000 for its proportionate share of the VRS Teacher Employee Health Insurance Credit Program Net OPEB Liability. The Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was measured as of June 30, 2017 and the total VRS Teacher Employee Health Insurance Credit Program OPEB liability used to calculate the Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee Health Insurance Credit Program OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the school division's proportion of the VRS Teacher Employee Health Insurance Credit Program was 0.28471% as compared to 0.29647% at June 30, 2016.

For the year ended June 30, 2018, the school division recognized VRS Teacher Employee Health Insurance Credit Program OPEB expense of \$274,000. Since there was a change in proportionate share between June 30, 2016 and June 30, 2017, a portion of the VRS Teacher Employee Health Insurance Credit Program Net OPEB expense was related to deferred amounts from changes in proportion.

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

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

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	\$ -	\$ 7,000
Change in assumptions	-	37,000
Change in proportion	-	129,000
Employer contributions subsequent to the measurement date	<u>274,110</u>	<u>-</u>
Total	<u>\$ 274,110</u>	<u>\$ 173,000</u>

\$274,110 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2019	\$ (27,000)
2020	(27,000)
2021	(27,000)
2022	(27,000)
2023	(26,000)
Thereafter	(39,000)

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 Health Insurance Credit Program was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

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

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

Mortality Rates - Teachers

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Net Teacher Employee HIC OPEB Liability

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

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

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

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:

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

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

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

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

	Rate		
	1% Decrease (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	\$ 4,031,000	\$ 3,611,000	\$ 3,255,000

Teacher Employee HIC OPEB Fiduciary Net Position

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

Note 14-Early Retirement Incentive Program:

The Component Unit - School Board administers an early retirement incentive program for School Board employees. Terms of the plan(s) are revised annually by the School Board. The plan allows for the annual payment of a percentage (varies by year retirement is initiated) of the employees' salary for a number of years (varies by year retirement is initiated). The School Board reserves the right to amend or terminate the program. Employees are required to work fifteen days per year to receive their payment. At June 30, 2018 the commitment related to the Early Retirement Incentive Program was \$23,443.

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Note 15-Unearned and Deferred/Unavailable Revenue:

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. Unavailable revenue totaling \$22,237,078 is comprised of the following:

Primary Government:

Unavailable Property Tax Revenue - Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$3,793,628 at June 30, 2018.

Assessments for Future Periods - Property taxes due subsequent to June 30, 2018 but levied in the current period totaled \$18,211,728.

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2018 but paid in advance by the taxpayers totaled \$231,722.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 16-Capital Assets:

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

Primary Government:

	Beginning Balance, as restated	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 664,940	\$ -	\$ -	\$ 664,940
Construction in progress	17,549,314	-	(17,549,314)	-
Total capital assets not being depreciated	<u>\$ 18,214,254</u>	<u>\$ -</u>	<u>\$(17,549,314)</u>	<u>\$ 664,940</u>
Capital assets, being depreciated:				
Infrastructure	\$ 56,660	\$ -	\$ -	\$ 56,660
Buildings and improvements	53,609,084	17,598,726	-	71,207,810
Machinery and equipment	10,019,925	426,009	(82,861)	10,363,073
Total capital assets being depreciated	<u>\$ 63,685,669</u>	<u>\$ 18,024,735</u>	<u>\$ (82,861)</u>	<u>\$ 81,627,543</u>
Accumulated depreciation:				
Infrastructure	\$ (22,961)	\$ (1,700)	\$ -	\$ (24,661)
Buildings and improvements	(22,583,311)	(2,004,492)	-	(24,587,803)
Machinery and equipment	(6,787,677)	(777,953)	82,861	(7,482,769)
Total accumulated depreciation	<u>\$(29,393,949)</u>	<u>\$ (2,784,145)</u>	<u>\$ 82,861</u>	<u>\$(32,095,233)</u>
Total capital assets being depreciated, net	<u>\$ 34,291,720</u>	<u>\$ 15,240,590</u>	<u>\$ -</u>	<u>\$ 49,532,310</u>
Governmental activities capital assets, net	<u>\$ 52,505,974</u>	<u>\$ 15,240,590</u>	<u>\$(17,549,314)</u>	<u>\$ 50,197,250</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 16-Capital Assets: (Continued)

Primary Government: (Continued)

	Beginning Balance, as restated	Increases	Decreases	Ending Balance
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 44,831	\$ -	\$ -	\$ 44,831
Construction in progress	1,882,194	2,804,324	(4,587,865)	98,653
Total capital assets not being depreciated	\$ 1,927,025	\$ 2,804,324	\$ (4,587,865)	\$ 143,484
Capital assets, being depreciated:				
Utility system	\$ 47,237,682	\$ 4,587,865	\$ -	\$ 51,825,547
Machinery and equipment	645,541	53,100	-	698,641
Total capital assets being depreciated	\$ 47,883,223	\$ 4,640,965	\$ -	\$ 52,524,188
Accumulated depreciation:				
Utility system	\$ (23,934,004)	\$ (1,381,180)	\$ -	\$ (25,315,184)
Machinery and equipment	(607,928)	(16,258)	-	(624,186)
Total accumulated depreciation	\$ (24,541,932)	\$ (1,397,438)	\$ -	\$ (25,939,370)
Total capital assets being depreciated, net	\$ 23,341,291	\$ 3,243,527	\$ -	\$ 26,584,818
Business-type activities capital assets, net	\$ 25,268,316	\$ 6,047,851	\$ (4,587,865)	\$ 26,728,302

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

Governmental activities:	
General government administration	\$ 155,161
Judicial administration	531,616
Public safety	571,298
Public works	74,536
Health and welfare	29,139
Education	1,381,188
Parks, recreation, and culture	41,207
Total depreciation expense-governmental activities	\$ 2,784,145
Business-type activities:	
Water and sewer	\$ 1,397,438

Note 16-Capital Assets: (Continued)

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

Discretely Presented Component Unit - School Board:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 844,463	\$ -	\$ -	\$ 844,463
Capital assets, being depreciated:				
Buildings and improvements	\$ 17,600,697	\$ 425,931	\$ -	\$ 18,026,628
Machinery and equipment	8,325,132	520,377	(119,358)	8,726,151
Total capital assets being depreciated	<u>\$ 25,925,829</u>	<u>\$ 946,308</u>	<u>\$ (119,358)</u>	<u>\$ 26,752,779</u>
Accumulated depreciation:				
Buildings and improvements	\$ (12,150,941)	\$ (478,371)	\$ -	\$ (12,629,312)
Machinery and equipment	(5,789,795)	(584,838)	119,358	(6,255,275)
Total accumulated depreciation	<u>\$ (17,940,736)</u>	<u>\$ (1,063,209)</u>	<u>\$ 119,358</u>	<u>\$ (18,884,587)</u>
Total capital assets being depreciated, net	<u>\$ 7,985,093</u>	<u>\$ (116,901)</u>	<u>\$ -</u>	<u>\$ 7,868,192</u>
School Board capital assets, net	<u><u>\$ 8,829,556</u></u>	<u><u>\$ (116,901)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 8,712,655</u></u>

Discretely Presented Component Unit - EDA:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 4,823,062	\$ -	\$ -	\$ 4,823,062

Note 17-Investment in the Smyth-Washington Industrial Facilities Authority (SWIFA):

The County entered into a joint venture with Washington County, Virginia for the development of a regional industrial park. Terms of the agreement stipulate that proceeds from the sale of lots in the park share be distributed equally to Washington and Smyth County. As such, the County has recorded an investment in SWIFA on the statement of net position that represents ½ of the current carrying costs of lots in the Highlands Business Park.

Note 18-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 participates with other localities in a public entity risk pool for their coverage of general liability, property, and auto insurance with the Virginia Association of Counties Risk Pool. Each member of this risk pool jointly and severally agrees to assume, pay and discharge any liability. The County pays the Virginia Association of Counties Risk Pool contributions and assessments based upon classifications 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, or depletion of all available funds and/or excess insurance, the pool may assess all members in the proportion to which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

The component unit School Board participates with other localities in a public entity risk pool for their coverage of general liability, property and auto insurance with the Virginia Association of Counties Risk Pool. Each member of this risk pool jointly and severally agrees to assume, pay and discharge any liability. The School Board pays the Virginia Association of Counties Risk Pool contributions and assessments based upon classifications 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 funds and/or excess insurance, the pool may assess all members in the proportion to 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.

Note 19-Contingent Liabilities:

Federal programs in which the County and its component units participate were audited in accordance with the provisions of the U.S. Office of Management and Budget's 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.

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Note 20-Surety Bonds:

Primary Government:

<u>Fidelity & Deposit Company of Maryland-Surety:</u>		
John Graham, Clerk of the Circuit Court	\$	425,000
Tom Burkett, Treasurer		500,000
Jeff Richardson, Commissioner of the Revenue		3,000
Chip Shuler, Sheriff		30,000
All constitutional officers' employees: blanket bond		50,000
Virginia Association of Counties Group		
<u>Self Insurance Risk Pool</u>		
Public Officials Liability - Limit	\$	2,000,000
Defense Cost Limit		100,000
Virginia Liability Risk Management Program		
<u>Social Services Employees</u>		
	\$	1,000,000

Component Unit - School Board:

Virginia Association of Counties Group		
<u>Self Insurance Risk Pool</u>		
School Leaders	\$	5,000,000

Note 21-Landfill Closure and Post-closure Care Cost:

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site after closure. The County closed the landfill in 1995, however, certain monitoring functions will be continued at the landfill for a period of up to 30 years. \$319,483 was reported as landfill closure and post-closure care liability at June 30, 2018. This amount is based on what it would cost to perform all closure and post-closure in 2018. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

Federal and State regulations require owners of municipal solid waste landfills to demonstrate financial responsibility for closure care, post closure care, and corrective costs arising from the operations of such facilities. The County qualifies to use the State Department of Environmental Quality's financial assurance test in order to demonstrate financial responsibility.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 22-Operating Lease:

In January 1995, the County entered into a lease agreement with the Commonwealth of Virginia (“State”) to lease the building holding primarily all county offices including the School Board. The lease has a term of 25 years ending December 2019, at which time the use of the building reverts back to the State. Annual rent for the 25 year rental period is \$1. There are no other annual payments required. All maintenance and repairs are the responsibility of the County.

Note 23-Arbitrage Rebate Compliance:

As of June 30, 2018 and for the year then ended, the County was not liable for any amounts due under current rules governing arbitrage earnings.

Note 24-Commitments and Contingencies:

The County was involved in major construction projects during the fiscal year as presented below, along with the anticipated funding source.

<u>Project</u>	<u>Contract Amount</u>	<u>Contract Amount</u>		<u>Funding Source</u>
		<u>Outstanding at</u>		
		<u>June 30, 2018</u>		
Mendon Pipeline-Adwolfe Sewer Extension-Phase I	\$ 3,046,303	\$	50,599	Federal Funds
King General Contractors-Adwolfe Sewer Extension-Phase I	935,566		68,539	Federal Funds
Hurt & Proffitt Incorporated-Back of Dragon	85,550		6,440	Local Funds

The County and a local Town entered into an agreement in August 1990 to purchase up to 60,000 gallons of water per day at a rate of \$1.95 per 1,000 gallons (subject to increase with residential rates). The current rate is \$2.11 per 1,000 gallons. The initial term of the agreement was five years with seven successive five-year periods at mutual agreement between the Town and the County. The County is currently in the fifth renewal period.

The County entered into an agreement with a certain entity to purchase water at an initial rate of \$3.60 per 1,000 gallons for the year ended September 30, 2017 with rates increasing 5% annually. The agreement has an initial five year term with the option to renew for four successive five-year periods.

The County entered into an agreement with a certain Town to purchase up to 256,000 gallons of water per day at a rate of \$20.50 for first 5,000 gallons; a rate of \$3.51/1,000 gallons for the next 495,000 gallons; and a rate of \$2.81/1,000 gallons for anything over 500,000 gallons. This agreement is subject to increases in the Town’s commercial rate up to 2% annually. The initial term of the agreement was five years with fifteen successive three-year periods at mutual agreement between the Town and the County. As of July 1, 2017, a new agreement has been signed that establishes a rate of \$3.80 per 1,000 gallons with the rate subject to increases to the Town’s rates charged to its customers. The new agreement has an initial five year term.

Note 24-Commitments and Contingencies: (Continued)

The County and a certain Town entered into a water purchase agreement in July 2016 for the purchase of a minimum of 21 million gallons of water annually at a rate of \$5.00 per 1,000 gallons. In the event that the Town must purchase water back from the County, the rate is the same. The initial term of the agreement is seven years, from July 1, 2016 through June 30, 2023 and is renewable for intervals of three successive years at the mutual option of the County and the Town. The rate shall remain constant for the first seven year term and will increase or decrease in a percentage equal to the increase or decrease of the Town's residential rates.

Note 25-Intergovernmental Agreements:

Mountain Empire Regional Wastewater Facility

In 1990, the County entered into an agreement with the Town of Marion for joint utilization of the Mountain Empire Regional Wastewater Facility. The Town of Marion owns and operates the facility in which the County is entitled to 17.65% of the wastewater treatment capacity and pays a monthly user charge determined by the Town of Marion consisting of an allocation of operating and maintenance costs, funding of replacement reserves, and overruns from the previous year less revenue derived from treatment of wastewater.

The user charge is determined monthly. The initial agreement ends August 2030; however, the agreement may be renewed for an additional 40 year period. During fiscal year 2018, the County remitted a total of \$190,889 to the Town of Marion. As part of the agreement, the Town of Marion bills wastewater treatment customers of the County and remits collections of those billings to the County within 30 days.

Chilhowie-Smyth Wastewater Treatment Plant

In 1997, the County entered into an agreement with the Town of Chilhowie for joint utilization of the capacity of the Chilhowie/Smyth Wastewater Treatment Plant. The Town of Chilhowie owns and operates the facility in which the County is entitled to 25% of the wastewater treatment capacity and pays a monthly user charge determined by the Town of Chilhowie consisting of an allocation of debt service, operating and maintenance costs, funding of replacement reserve, and overruns from the previous year's income or loss derived from the treatment of wastewater. The user charge is determined each month based on a percentage of plant flow. The term of the agreement ends July 2037 and is renewable for an additional 40-year period. During fiscal year 2018, the County remitted a total of \$171,763 to the Town of Chilhowie. As part of the agreement, the Town of Chilhowie bills wastewater treatment customers of the County and remits collections of those billings to the County within 30 days.

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Note 25-Intergovernmental Agreements: (Continued)

Saltville-Smyth Regional Wastewater Treatment Facility

In 2001, the Town of Saltville and the County entered into an agreement to construct and operate the Saltville/Smyth Regional Wastewater Treatment Facility. The facility is owned and operated by the Town of Saltville. The County’s capacity in the facility is 40% and it is to pay a monthly user charge based on actual user flow consisting of operating and maintenance costs which are to be determined by the Town of Saltville monthly.

The term of agreement ends March 2041 and is renewable for a term of 40 years. During the fiscal year 2018, the County remitted a total of \$16,239 to the Town of Saltville in user charges. As part of the agreement, the Town of Saltville bills wastewater treatment customers of the County and remits collections of those billings to the County each quarter.

Note 26-Litigation:

At June 30, 2018, there were no matters of litigation involving the County which would materially affect the County’s financial position should any court decisions on pending matters not be favorable.

Note 27-Restricted and Committed Funds and Restricted Net Position:

	General Fund	Component Unit School Fund
Governmental Activities/Funds:		
Restricted:		
E-911	\$ 202,744	\$ -
Courthouse construction	820,160	-
Public Safety	361,151	-
Courthouse security	56,777	-
E-summons program	39,334	-
Cafeteria Program	-	627,538
	<hr/>	<hr/>
Total restricted balances	\$ 1,480,166	\$ 627,538
	<hr/> <hr/>	<hr/> <hr/>
Governmental Funds:		
Committed funds:		
Animal Control	\$ 13,624	\$ -
Public Safety	931,425	-
	<hr/>	<hr/>
Total committed funds	\$ 945,049	\$ -
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 28-Adoption of Accounting Principles:

The County implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* during the fiscal year ended June 30, 2018. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to postemployment benefits other than pensions (other postemployment benefits or OPEB). Note disclosure and required supplementary information requirements about OPEB are also addressed. The requirements of this Statement will improve accounting and financial reporting by state and local governments for OPEB. In addition, the County implemented Governmental Accounting Standards Board Statement No. 85, *Omnibus 2017* during the fiscal year ended June 30, 2018. This Statement addresses practice issues identified during implementation and application of certain GASB statements for a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). The implementation of these Statements and the correction of a water and sewer fund error resulted in the restatement in Note 29.

Note 29-Restatement of Beginning Balances:

	Fund-based Statements		Entity-wide Statements	
	General Fund	Water and Sewer Fund	Governmental Activities	Component Unit - School Board
Beginning balance, as previously stated	\$ 9,430,659	\$ 13,598,660	\$ 14,595,126	\$ (32,335,742)
Reclassify Adwolfe Sewer Fund	567,519	10,000	(10,000)	-
Capital asset adjustment	-	-	(109,546)	-
GASB 75 Implementation	-	(27,681)	(1,197,489)	(9,754,391)
Beginning balance, as restated	<u>\$ 9,998,178</u>	<u>\$ 13,580,979</u>	<u>\$ 13,278,091</u>	<u>\$ (42,090,133)</u>

Note 30-Upcoming Pronouncements:

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

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

Note 30-Upcoming Pronouncements: (Continued)

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

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

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

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

Required Supplementary Information

County of Smyth, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
General property taxes	\$ 16,382,500	\$ 16,475,350	\$ 17,124,424	\$ 649,074
Other local taxes	3,419,500	3,419,500	3,529,183	109,683
Permits, privilege fees, and regulatory licenses	109,328	135,328	129,113	(6,215)
Fines and forfeitures	1,134,231	1,134,231	928,528	(205,703)
Revenue from the use of money and property	198,204	214,204	269,998	55,794
Charges for services	1,234,976	1,228,976	1,060,644	(168,332)
Miscellaneous	208,825	208,825	258,209	49,384
Recovered costs	461,789	833,093	848,829	15,736
Intergovernmental	11,302,968	11,095,541	11,376,635	281,094
Total revenues	<u>\$ 34,452,321</u>	<u>\$ 34,745,048</u>	<u>\$ 35,525,563</u>	<u>\$ 780,515</u>
EXPENDITURES				
General government administration:				
Board of supervisors	\$ 551,563	\$ 837,330	\$ 769,566	\$ 67,764
County administrator	443,234	443,234	476,516	(33,282)
Legal department	75,000	75,000	34,766	40,234
Commissioner of revenue	294,501	294,501	291,251	3,250
Treasurer	382,903	382,903	396,325	(13,422)
Management information systems	447,747	447,747	445,286	2,461
Electoral board/registrar	238,997	238,997	224,233	14,764
Total general government administration	<u>\$ 2,433,945</u>	<u>\$ 2,719,712</u>	<u>\$ 2,637,943</u>	<u>\$ 81,769</u>
Judicial administration:				
Circuit court	\$ 82,236	\$ 164,077	\$ 121,557	\$ 42,520
General district court	7,405	7,405	5,861	1,544
Juvenile and domestic court	247,868	247,868	246,203	1,665
Clerk of the circuit court	554,209	563,759	545,554	18,205
Law library	1,000	1,000	-	1,000
Victim witness assistance program	101,375	101,375	93,511	7,864
Commonwealth's attorney	834,451	839,451	671,290	168,161
Total judicial administration	<u>\$ 1,828,544</u>	<u>\$ 1,924,935</u>	<u>\$ 1,683,976</u>	<u>\$ 240,959</u>
Public safety:				
Sheriff	\$ 3,015,169	\$ 3,023,865	\$ 2,948,169	\$ 75,696
Central dispatch	2,800	2,800	3,029	(229)
Volunteer fire department	261,267	261,267	261,267	-
Ambulance and rescue service	148,455	148,455	143,729	4,726
Sheriff - jail	2,802,833	2,928,133	2,928,133	-
Building inspections	329,305	329,305	274,697	54,608
Animal control	490,621	490,621	441,650	48,971
Medical examiner	500	500	440	60
Emergency services - civil defense	22,669	22,669	14,936	7,733

County of Smyth, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
EXPENDITURES (Continued)				
Public safety: (Continued)				
County E-911	\$ 485,949	\$ 485,949	\$ 461,482	\$ 24,467
Forestry	8,000	8,000	7,951	49
E-911 wireless	113,760	143,760	137,093	6,667
Asset forfeiture	11,250	11,250	44,202	(32,952)
Police activity	875,716	875,716	858,814	16,902
Special investigation	4,134	4,134	-	4,134
Sheriff federal drug asset	25,000	25,000	-	25,000
E-summons	60,000	60,000	46,550	13,450
Commonwealth Attorney asset forfeiture	210,000	210,000	98,203	111,797
Courthouse security	143,690	143,690	144,624	(934)
Total public safety	\$ 9,011,118	\$ 9,175,114	\$ 8,814,969	\$ 360,145
Public works:				
Rye Valley water company	\$ 25,922	\$ 25,922	\$ 25,922	\$ -
Refuse collection and disposal	1,458,180	1,458,830	1,408,605	50,225
Convenience stations	298,285	298,285	291,716	6,569
Courthouse maintenance	188,854	184,112	133,815	50,297
Health department building	67,791	68,791	63,608	5,183
County office building	266,279	270,021	267,279	2,742
Total public works	\$ 2,305,311	\$ 2,305,961	\$ 2,190,945	\$ 115,016
Health and welfare:				
Supplement of local health department	\$ 441,023	\$ 441,023	\$ 441,023	\$ -
Mental health contribution	166,022	166,022	166,022	-
Board members	4,200	4,200	2,400	1,800
Welfare administration and programs	4,761,144	4,761,144	4,762,773	(1,629)
Comprehensive services act	708,041	1,106,742	1,322,745	(216,003)
Other welfare programs	201,336	201,336	332,264	(130,928)
Total health and welfare	\$ 6,281,766	\$ 6,680,467	\$ 7,027,227	\$ (346,760)
Education:				
Contribution to Community Colleges	\$ 55,314	\$ 55,314	\$ 55,314	\$ -
Contribution to County School Board	7,815,575	7,905,575	7,929,371	(23,796)
Total education	\$ 7,870,889	\$ 7,960,889	\$ 7,984,685	\$ (23,796)
Parks, recreation, and cultural:				
Recreation	\$ 29,000	\$ 29,000	\$ 29,000	\$ -
Tourism	35,555	35,555	43,090	(7,535)
Library administration	700,000	700,000	700,000	-
Total parks, recreation, and cultural	\$ 764,555	\$ 764,555	\$ 772,090	\$ (7,535)

County of Smyth, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
EXPENDITURES (Continued)				
Community development:				
Planning commission	\$ 6,900	\$ 6,900	\$ 3,719	\$ 3,181
Community and economic development	166,533	166,533	88,362	78,171
Industrial Development Authorities	198,928	198,928	77,600	121,328
Extension office	90,640	90,640	89,092	1,548
Total community development	<u>\$ 463,001</u>	<u>\$ 463,001</u>	<u>\$ 258,773</u>	<u>\$ 204,228</u>
Debt service:				
Principal retirement	\$ 2,015,682	\$ 2,015,032	\$ 2,010,009	\$ 5,023
Interest and other fiscal charges	1,801,007	1,801,007	1,801,007	-
Total debt service	<u>\$ 3,816,689</u>	<u>\$ 3,816,039</u>	<u>\$ 3,811,016</u>	<u>\$ 5,023</u>
Total expenditures	<u>\$ 34,775,818</u>	<u>\$ 35,810,673</u>	<u>\$ 35,181,624</u>	<u>\$ 629,049</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (323,497)</u>	<u>\$ (1,065,625)</u>	<u>\$ 343,939</u>	<u>\$ 1,409,564</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>\$ 111,498</u>	<u>\$ 111,498</u>	<u>\$ 161,140</u>	<u>\$ 49,642</u>
Net change in fund balances	\$ (211,999)	\$ (954,127)	\$ 505,079	\$ 1,459,206
Fund balances - beginning, as restated	211,999	954,127	9,998,178	9,044,051
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,503,257</u>	<u>\$ 10,503,257</u>

Note 1: GAAP serves as the budgetary basis of accounting

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

Date (1)	Proportion of the Net Pension Liability (Asset) (NPLA) (2)	Proportionate Share of the NPLA (3)	Covered Payroll (4)	Proportionate Share of the NPLA as a Percentage of Covered Payroll (3)/(4) (5)	Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability (Asset) (6)
Primary Government - County Retirement Plan					
2017	94.2695%	\$ 3,397,223	\$ 6,922,002	49.08%	91.50%
2016	92.9804%	6,537,997	6,875,983	95.08%	83.43%
2015	92.4828%	6,154,322	6,849,722	89.85%	84.22%
2014	92.4828%	5,821,546	6,957,845	83.67%	84.65%
Component Unit School Board (professional)					
2017	0.2872%	\$ 35,321,000	\$ 22,470,905	157.19%	68.28%
2016	0.2965%	41,550,000	22,605,674	183.80%	68.28%
2015	0.3097%	38,983,000	23,023,786	169.32%	70.68%
2014	0.3233%	39,071,000	23,643,816	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 Smyth, Virginia
 Schedule of Changes in Net Pension Liability and Related Ratios
 Component Unit-School Board (nonprofessional)
 For the Years Ended June 30, 2015 through June 30, 2018

	2017	2016	2015	2014
Total pension liability				
Service cost	\$ 235,070	\$ 250,631	\$ 266,352	\$ 269,417
Interest	877,621	869,360	858,200	829,370
Differences between expected and actual experience	(191,498)	(191,576)	(206,989)	-
Changes in assumptions	(2,989)	-	-	-
Benefit payments, including refunds of employee contributions	(799,816)	(820,987)	(695,293)	(678,546)
Net change in total pension liability	\$ 118,388	\$ 107,428	\$ 222,270	\$ 420,241
Total pension liability - beginning	12,937,349	12,829,921	12,607,651	12,187,410
Total pension liability - ending (a)	\$ 13,055,737	\$ 12,937,349	\$ 12,829,921	\$ 12,607,651
Plan fiduciary net position				
Contributions - employer	\$ 211,195	\$ 249,040	\$ 261,267	\$ 259,497
Contributions - employee	116,397	108,352	114,873	121,131
Net investment income	1,284,634	184,071	491,896	1,505,249
Benefit payments, including refunds of employee contributions	(799,816)	(820,987)	(695,293)	(678,546)
Administrative expense	(7,718)	(7,019)	(6,949)	(8,292)
Other	(1,132)	(79)	(103)	79
Net change in plan fiduciary net position	\$ 803,560	\$ (286,622)	\$ 165,691	\$ 1,199,118
Plan fiduciary net position - beginning	10,777,062	11,063,684	10,897,993	9,698,875
Plan fiduciary net position - ending (b)	\$ 11,580,622	\$ 10,777,062	\$ 11,063,684	\$ 10,897,993
School Division's net pension liability - ending (a) - (b)	\$ 1,475,115	\$ 2,160,287	\$ 1,766,237	\$ 1,709,658
Plan fiduciary net position as a percentage of the total pension liability	88.70%	83.30%	86.23%	86.44%
Covered payroll	\$ 2,163,422	\$ 2,208,654	\$ 2,297,419	\$ 2,393,110
School Division's net pension liability as a percentage of covered payroll	68.18%	97.81%	76.88%	71.44%

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

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government					
2018	\$ 693,662	\$ 693,662	\$ -	\$ 6,922,774	10.02%
2017	694,789	694,789	-	6,922,002	10.04%
2016	891,693	891,693	-	6,875,983	12.97%
2015	885,099	885,099	-	6,849,722	12.92%
2014	897,067	897,067	-	6,840,025	13.11%
Component Unit School Board (nonprofessional)					
2018	\$ 208,889	\$ 208,889	\$ -	\$ 2,156,076	9.69%
2017	211,186	211,186	-	2,163,422	9.76%
2016	249,040	249,040	-	2,208,654	11.28%
2015	261,267	261,267	-	2,297,419	11.37%
2014	259,497	259,497	-	2,393,110	10.84%
2013	272,884	272,884	-	2,512,741	10.86%
2012	172,531	172,531	-	2,540,961	6.79%
2011	170,753	170,753	-	2,514,769	6.79%
2010	174,576	174,576	-	2,548,556	6.85%
2009	174,531	174,531	-	2,547,894	6.85%
Component Unit School Board (professional)					
2018	\$ 3,601,232	\$ 3,601,232	\$ -	\$ 22,285,300	16.16%
2017	3,268,316	3,268,316	-	22,470,905	14.54%
2016	3,165,416	3,165,416	-	22,605,674	14.00%
2015	3,339,265	3,339,265	-	23,023,786	14.50%
2014	2,756,869	2,756,869	-	23,643,816	11.66%
2013	2,764,017	2,764,017	-	23,705,120	11.66%
2012	1,490,705	1,490,705	-	23,549,841	6.33%
2011	928,707	928,707	-	23,631,221	3.93%
2010	1,791,916	1,791,916	-	20,339,566	8.81%
2009	2,271,552	2,271,552	-	25,783,794	8.81%

Schedule is intended to show information for 10 years. Prior to 2015, the County information reported in the County's report included participants that are not included in the County's report. Therefore, no additional data is currently available for the County. Additional years will be included as they become available.

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

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2017 is not material.

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

Largest 10 - Non-Hazardous Duty:

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

Largest 10 - Hazardous Duty:

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

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

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

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

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 Smyth, Virginia
 Schedule of Employer's Share of Net OPEB Liability
 Healthcare OPEB Plan
 For the Year Ended June 30, 2018

Date (1)	Employer's Proportion of the Net OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)
Primary Government 2018	94.26%	\$ 1,461,973	\$ 6,922,002	21.12%

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

County of Smyth, Virginia
 Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios
 Component Unit-School Board
 Healthcare OPEB Plan
 For the Year Ended June 30, 2018

		2018
Total OPEB liability		
Service cost	\$	181,000
Interest		182,000
Contributions		(299,000)
Net change in total OPEB liability	\$	64,000
Total OPEB liability - beginning		5,075,000
Total OPEB liability - ending	\$	5,139,000
Covered-employee payroll	\$	N/A
School's total OPEB liability (asset) as a percentage of covered-employee payroll		N/A

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

County of Smyth, Virginia
Notes to Required Supplementary Information - Healthcare OPEB Plan
For the Year Ended June 30, 2018

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

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

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age normal level % of salary
Discount Rate	3.56%
Inflation	2.50% per year
Healthcare Trend Rate	9.20% for fiscal year end 2017, decreasing 4.10% for fiscal year 2018, reverting to 7.00% the next year, and then decreasing 0.50% per year to an ultimate rate of 5.00%
Salary Increase Rates	2.50%
Retirement Age	The average age at retirement is 62
Mortality Rates	RP-2014 Fully Generational Mortality Table, with base year 2006, using two dimensional improvement scale MP-2017.

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

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
Primary Government 2017	0.03793%	\$ 571,215	\$ 6,922,002	8.25%	48.86%
Component Unit-School Board (Non-Professional) 2017	0.01214%	\$ 182,000	\$ 2,163,422	8.41%	48.86%
Component Unit-School Board (Professional) 2017	0.12255%	\$ 1,844,000	\$ 22,470,905	8.21%	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 Smyth, Virginia
 Schedule of Employer Contributions
 Group Life Insurance Program
 For the Years Ended June 30, 2017 through June 30, 2018

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government					
2018	\$ 36,841	\$ 36,841	-	\$ 6,922,774	0.53%
2017	36,388	36,388	-	6,922,002	0.53%
Component Unit-School Board (Nonprofessional)					
2018	\$ 11,345	\$ 11,345	-	\$ 2,156,076	0.53%
2017	11,647	11,647	-	2,163,422	0.54%
Component Unit-School Board (Professional)					
2018	\$ 116,001	\$ 116,001	-	\$ 22,285,300	0.52%
2017	117,551	117,551	-	22,470,905	0.52%

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

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

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

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

General State Employees

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

Teachers

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

SPORS Employees

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

VaLORS Employees

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

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

JRS Employees

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

Largest Ten Locality Employers - General Employees

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

Non-Largest Ten Locality Employers - General Employees

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

Largest Ten Locality Employers - Hazardous Duty Employees

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

Non-Largest Ten Locality Employers - Hazardous Duty Employees

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

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

Date (1)	Employer's Proportion of the Net HIC OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability (6)
2017	0.28471%	\$ 3,611,000	\$ 22,470,905	16.07%	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 Smyth, Virginia
 Schedule of Employer Contributions
 Teacher Health Insurance Credit Program (HIC)
 For the Years Ended June 30, 2017 through June 30, 2018

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Component Unit-School Board (Professional)					
2018	\$ 274,110	\$ 274,110	-	\$ 22,285,300	1.23%
2017	249,411	249,411	-	22,470,905	1.11%

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

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

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

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

Component Unit-School Board (Professional):

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

Other Supplementary Information

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

	Water Fund	Sewer Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 3,307	\$ 1,897	\$ 5,204
Accounts receivable, net of allowance for uncollectibles	195,512	112,108	307,620
Due from other governmental units	62,700	35,953	98,653
Total current assets	<u>\$ 261,519</u>	<u>\$ 149,958</u>	<u>\$ 411,477</u>
Noncurrent assets:			
Capital assets:			
Land	\$ 28,493	\$ 16,338	\$ 44,831
Utility plant in service	32,938,459	18,887,088	51,825,547
Machinery and equipment	444,031	254,610	698,641
Construction in progress	62,700	35,953	98,653
Accumulated depreciation	(16,486,133)	(9,453,237)	(25,939,370)
Total capital assets	<u>\$ 16,987,550</u>	<u>\$ 9,740,752</u>	<u>\$ 26,728,302</u>
Total noncurrent assets	<u>\$ 16,987,550</u>	<u>\$ 9,740,752</u>	<u>\$ 26,728,302</u>
Total assets	<u>\$ 17,249,069</u>	<u>\$ 9,890,710</u>	<u>\$ 27,139,779</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	\$ 15,091	\$ 8,653	\$ 23,744
OPEB related items	518	297	815
Total deferred outflows of resources	<u>\$ 15,609</u>	<u>\$ 8,950</u>	<u>\$ 24,559</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 177,359	\$ 101,699	\$ 279,058
Customers' deposits	1,243	713	1,956
Accrued interest payable	45,410	26,039	71,449
Compensated absences - current portion	19,451	11,153	30,604
Bonds payable - current portion	351,185	201,371	552,556
Total current liabilities	<u>\$ 594,648</u>	<u>\$ 340,975</u>	<u>\$ 935,623</u>
Noncurrent liabilities:			
Compensated absences - net of current portion	\$ 6,483	\$ 3,718	\$ 10,201
Bonds payable - net of current portion	6,804,245	3,901,590	10,705,835
Net OPEB liabilities	50,998	29,242	80,240
Net pension liability	85,338	48,934	134,272
Total noncurrent liabilities	<u>\$ 6,947,064</u>	<u>\$ 3,983,484</u>	<u>\$ 10,930,548</u>
Total liabilities	<u>\$ 7,541,712</u>	<u>\$ 4,324,459</u>	<u>\$ 11,866,171</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related items	\$ 59,196	\$ 33,943	\$ 93,139
OPEB related items	1,986	1,139	3,125
Total deferred inflows of resources	<u>\$ 61,182</u>	<u>\$ 35,082</u>	<u>\$ 96,264</u>
NET POSITION			
Net investment in capital assets	\$ 9,832,121	\$ 5,637,790	\$ 15,469,911
Unrestricted (deficit)	(170,336)	(97,672)	(268,008)
Total net position	<u>\$ 9,661,785</u>	<u>\$ 5,540,118</u>	<u>\$ 15,201,903</u>

Note: Information presented herein has been allocated based on a percentage of revenues for services.

County of Smyth, Virginia
Combining Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2018

	Water Fund	Sewer Fund	Total
OPERATING REVENUES			
Charges for services:			
Water revenues	\$ 1,364,778	\$ -	\$ 1,364,778
Sewer revenues	-	782,571	782,571
Connection fees	7,627	4,373	12,000
Penalties	8,027	4,603	12,630
Service charges	12,013	6,888	18,901
Application fees	1,605	920	2,525
Miscellaneous	1,263	724	1,987
Total operating revenues	<u>\$ 1,395,313</u>	<u>\$ 800,079</u>	<u>\$ 2,195,392</u>
OPERATING EXPENSES			
Personnel services	\$ 262,323	\$ 150,418	\$ 412,741
Water purchases	229,150	131,396	360,546
Water and wastewater service	247,846	142,116	389,962
Automotive expenses	11,979	6,869	18,848
Office supplies	1,626	933	2,559
Uniforms	1,537	882	2,419
Utilities	35,131	20,144	55,275
Permits	3,446	1,976	5,422
Postage	7,694	4,411	12,105
Telephone	3,853	2,210	6,063
Maintenance supplies	20,834	11,947	32,781
Repair and maintenance	16,732	9,595	26,327
County funded projects	17,259	9,896	27,155
Miscellaneous	967	555	1,522
Depreciation	888,161	509,277	1,397,438
Total operating expenses	<u>\$ 1,748,538</u>	<u>\$ 1,002,625</u>	<u>\$ 2,751,163</u>
Operating income (loss)	<u>\$ (353,225)</u>	<u>\$ (202,546)</u>	<u>\$ (555,771)</u>
NONOPERATING REVENUES (EXPENSES)			
Interest expense	<u>\$ (122,758)</u>	<u>\$ (70,390)</u>	<u>\$ (193,148)</u>
Income (loss) before capital contributions, construction grants, and transfers	<u>\$ (475,983)</u>	<u>\$ (272,936)</u>	<u>\$ (748,919)</u>
Capital contributions and construction grants			
Federal Grants	\$ 1,477,078	\$ 846,965	\$ 2,324,043
Other contributions and grants	131,524	75,416	206,940
Total capital contributions and construction grants	<u>\$ 1,608,602</u>	<u>\$ 922,381</u>	<u>\$ 2,530,983</u>
Transfers out	<u>(102,415)</u>	<u>(58,725)</u>	<u>(161,140)</u>
Change in net position	<u>\$ 1,030,204</u>	<u>\$ 590,720</u>	<u>\$ 1,620,924</u>
Total net position - beginning, as restated	8,631,583	4,949,396	13,580,979
Total net position - ending	<u>\$ 9,661,787</u>	<u>\$ 5,540,116</u>	<u>\$ 15,201,903</u>

Note: Information presented herein has been allocated based on a percentage of revenues for services.

DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL
BOARD

MAJOR GOVERNMENTAL FUNDS

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

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

		<u>School Operating Fund</u>
ASSETS		
Cash and cash equivalents	\$	1,688,285
Investments		1,071,654
Receivables (net of allowance for uncollectibles):		
Accounts receivable		215,709
Due from primary government		1,258,096
Due from other governmental units		2,079,868
Inventories		60,202
Prepaid items		770,457
Total assets	\$	<u>7,144,271</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$	101,039
Accrued liabilities		4,062,979
Total liabilities	\$	<u>4,164,018</u>
Fund balances:		
Nonspendable		
Prepaid items	\$	770,457
Inventories		60,202
Restricted		
School cafeterias		627,538
Unassigned		
Total fund balances	\$	<u>2,980,253</u>
Total liabilities and fund balances	\$	<u>7,144,271</u>
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:		
Total fund balances per above	\$	2,980,253
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Land	\$	844,463
Buildings and improvements		5,397,316
Machinery and equipment		<u>2,470,876</u>
		8,712,655
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		
Pension related items	\$	4,325,121
OPEB related items		<u>401,456</u>
		4,726,577
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.		
Compensated absences	\$	(452,125)
Net OPEB liabilities		(10,776,000)
ERIP obligation		(23,443)
Net pension liability		<u>(36,796,115)</u>
		(48,047,683)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
Pension related items	\$	(7,436,102)
OPEB related items		<u>(455,000)</u>
	\$	(7,891,102)
Net position of governmental activities		<u>\$ (39,519,300)</u>

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

		School Operating Fund
REVENUES		
Revenue from the use of money and property	\$	8,984
Charges for services		1,077,303
Miscellaneous		46,139
Recovered costs		616,809
Intergovernmental		44,638,096
Total revenues	\$	<u>46,387,331</u>
EXPENDITURES		
Current:		
Education	\$	46,111,390
Total expenditures	\$	<u>46,111,390</u>
Excess (deficiency) of revenues over (under) expenditures	\$	<u>275,941</u>
Net change in fund balances	\$	275,941
Fund balances - beginning		2,704,312
Fund balances - ending	\$	<u><u>2,980,253</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	\$	275,941
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 outlays	\$	946,308
Depreciation expenses		<u>(1,063,209)</u>
		(116,901)
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	\$	2,800
OPEB expense		51,847
Change in ERIP obligation		42,522
Pension expense		<u>2,314,624</u>
		2,411,793
Change in net position of governmental activities	\$	<u><u>2,570,833</u></u>

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

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 5,750	\$ 2,750	\$ 8,984	\$ 6,234
Charges for services	1,808,740	1,808,740	1,077,303	(731,437)
Miscellaneous	70,000	70,000	46,139	(23,861)
Recovered costs	590,775	590,775	616,809	26,034
Intergovernmental	45,165,841	45,255,841	44,638,096	(617,745)
Total revenues	<u>\$ 47,641,106</u>	<u>\$ 47,728,106</u>	<u>\$ 46,387,331</u>	<u>\$ (1,340,775)</u>
EXPENDITURES				
Current:				
Education	\$ 47,641,106	\$ 47,728,106	\$ 46,111,390	\$ 1,616,716
Total expenditures	<u>\$ 47,641,106</u>	<u>\$ 47,728,106</u>	<u>\$ 46,111,390</u>	<u>\$ 1,616,716</u>
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 275,941	\$ 275,941
Net change in fund balances	\$ -	\$ -	\$ 275,941	\$ 275,941
Fund balances - beginning	-	-	2,704,312	2,704,312
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,980,253</u>	<u>\$ 2,980,253</u>

DISCRETELY PRESENTED COMPONENT UNIT - ECONOMIC
DEVELOPMENT AUTHORITY

MAJOR GOVERNMENTAL FUNDS

Economic Development Authority (EDA) - The EDA operating fund account is an enterprise fund that accounts for the County's Component-unit EDA.

County of Smyth, Virginia
Statement of Net Position - Proprietary Funds
Discretely Presented Component Unit - Economic Development Authority
June 30, 2018

	EDA Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 49,338
Investments	630,167
Due from primary government	66,987
Accrued interest	369
Total current assets	\$ 746,861
Noncurrent assets:	
Capital assets:	
Land	\$ 4,823,062
Total assets	\$ 5,569,923
 NET POSITION	
Investment in capital assets	\$ 4,823,062
Unrestricted	746,861
Total net position	\$ 5,569,923

County of Smyth, Virginia
 Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds
 Discretely Presented Component Unit - Economic Development Authority
 For the Year Ended June 30, 2018

	EDA Fund
OPERATING REVENUES	
Miscellaneous	\$ 25,644
OPERATING EXPENSES	
Grant awards	\$ 42,885
Miscellaneous	52,389
Total operating expenses	\$ 95,274
Change in net position	\$ (69,630)
Total net position - beginning	5,639,553
Total net position - ending	\$ 5,569,923

County of Smyth, Virginia
Statement of Cash Flows - Proprietary Funds
Discretely Presented Component Unit - Economic Development Authority
For the Year Ended June 30, 2018

	EDA Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Payments for operating expenses	\$ (95,274)
Other receipts	25,644
Net cash provided by (used for) operating activities	\$ (69,630)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from(to) primary government	\$ 49,633
CASH FLOWS FROM INVESTING ACTIVITIES	
Sale (purchase) of investments	\$ (5,644)
Net increase (decrease) in cash and cash equivalents	\$ (25,641)
Cash and cash equivalents - beginning	74,979
Cash and cash equivalents - ending	\$ 49,338
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (69,630)
Net cash provided by (used for) operating activities	\$ (69,630)

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

<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	\$ 10,050,700	\$ 10,050,700	\$ 10,388,834	\$ 338,134
Public service corporation taxes	1,110,000	1,110,000	1,165,954	55,954
Personal property taxes	3,029,400	3,050,050	3,141,072	91,022
Mobile home taxes	55,000	55,000	50,781	(4,219)
Machinery and tools taxes	1,564,900	1,617,100	1,613,540	(3,560)
Merchant's capital taxes	257,500	277,500	275,317	(2,183)
Penalties	140,000	140,000	167,559	27,559
Interest	175,000	175,000	321,367	146,367
Total general property taxes	\$ 16,382,500	\$ 16,475,350	\$ 17,124,424	\$ 649,074
Other local taxes:				
Local sales and use taxes	\$ 2,200,000	\$ 2,200,000	\$ 2,150,251	\$ (49,749)
Consumers' utility taxes	564,000	564,000	528,884	(35,116)
Local consumption tax	89,500	89,500	127,956	38,456
Motor vehicle licenses	444,000	444,000	461,589	17,589
Taxes on recordation and wills	-	-	123,603	123,603
Special conveyance tax	26,000	26,000	34,928	8,928
Lodging tax	60,000	60,000	60,325	325
Special assessments	36,000	36,000	41,647	5,647
Total other local taxes	\$ 3,419,500	\$ 3,419,500	\$ 3,529,183	\$ 109,683
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 8,500	\$ 8,500	\$ 6,737	\$ (1,763)
Land use application fees	500	500	315	(185)
Transfer fees	800	800	952	152
Building permits and other licenses	70,000	96,000	107,747	11,747
Zoning and planning fees	-	-	250	250
Erosion and sediment control	3,528	3,528	5,400	1,872
Other permits, fees, and licenses	26,000	26,000	7,712	(18,288)
Total permits, privilege fees, and regulatory licenses	\$ 109,328	\$ 135,328	\$ 129,113	\$ (6,215)
Fines and forfeitures:				
Court fines and forfeitures	\$ 1,134,231	\$ 1,134,231	\$ 928,528	\$ (205,703)
Revenue from use of money and property:				
Revenue from use of money	\$ 66,130	\$ 82,130	\$ 120,583	\$ 38,453
Revenue from use of property	132,074	132,074	149,415	17,341
Total revenue from use of money and property	\$ 198,204	\$ 214,204	\$ 269,998	\$ 55,794
Charges for services:				
Charges for law enforcement and traffic control	\$ 2,076	\$ 2,076	\$ 2,183	\$ 107
Charges for courthouse maintenance	80,000	80,000	73,615	(6,385)
Charges for courtroom security	135,000	135,000	130,248	(4,752)

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

<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)				
Charges for services: (Continued)				
Miscellaneous jail and inmate fees	\$ 13,000	\$ 13,000	\$ 6,255	\$ (6,745)
Charges for Commonwealth's Attorney	3,800	3,800	3,399	(401)
Charges for sanitation and waste removal	975,000	975,000	815,403	(159,597)
Charges for law library	8,100	8,100	10,073	1,973
Charges for e-summons	-	-	9,352	9,352
Other charges for services	18,000	12,000	10,116	(1,884)
Total charges for services	<u>\$ 1,234,976</u>	<u>\$ 1,228,976</u>	<u>\$ 1,060,644</u>	<u>\$ (168,332)</u>
Miscellaneous	<u>\$ 208,825</u>	<u>\$ 208,825</u>	<u>\$ 258,209</u>	<u>\$ 49,384</u>
Recovered costs:				
Rye Valley water salary reimbursement	\$ 26,040	\$ 26,040	\$ 23,812	\$ (2,228)
Insurance recoveries	35,000	324,463	379,693	55,230
School resource officer	146,186	228,027	116,292	(111,735)
Local board of welfare	12,000	12,000	36,929	24,929
Regional jail	150,000	150,000	195,773	45,773
Tourism	35,563	35,563	42,469	6,906
Other recovered costs	57,000	57,000	53,861	(3,139)
Total recovered costs	<u>\$ 461,789</u>	<u>\$ 833,093</u>	<u>\$ 848,829</u>	<u>\$ 15,736</u>
Total revenue from local sources	<u>\$ 23,149,353</u>	<u>\$ 23,649,507</u>	<u>\$ 24,148,928</u>	<u>\$ 499,421</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling Stock Tax	\$ 34,000	\$ 34,000	\$ 34,816	\$ 816
Communications sales and use taxes	561,000	561,000	538,156	(22,844)
Mobile home titling tax	41,000	41,000	77,325	36,325
State recordation tax	140,000	140,000	35,849	(104,151)
Personal property tax relief funds	1,804,310	1,804,310	1,804,316	6
Total noncategorical aid	<u>\$ 2,580,310</u>	<u>\$ 2,580,310</u>	<u>\$ 2,490,462</u>	<u>\$ (89,848)</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 489,219	\$ 494,219	\$ 486,487	\$ (7,732)
Sheriff	1,719,027	1,725,031	1,694,548	(30,483)
Commissioner of revenue	111,279	111,279	111,320	41
Treasurer	108,770	108,770	108,466	(304)
Registrar/electoral board	49,500	49,500	40,959	(8,541)
Clerk of the Circuit Court	331,950	331,950	334,786	2,836
Total shared expenses	<u>\$ 2,809,745</u>	<u>\$ 2,820,749</u>	<u>\$ 2,776,566</u>	<u>\$ (44,183)</u>

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

<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 Commonwealth: (Continued)				
Other categorical aid:				
Public assistance and welfare administration	\$ 1,391,119	\$ 1,391,119	\$ 1,468,059	\$ 76,940
Comprehensive services act	674,344	461,917	824,373	362,456
Emergency management grant	69,000	69,000	53,086	(15,914)
Fire program	72,632	72,632	74,826	2,194
VDOT grants	45,000	45,000	52,150	7,150
Litter control grant	9,000	9,000	8,672	(328)
Victim witness grant	19,375	19,375	17,610	(1,765)
Asset forfeiture funds	235,000	235,000	36,009	(198,991)
School resource officer	-	-	30,997	30,997
Court technology trust fund grant	30,000	30,000	-	(30,000)
Two for life grant	29,000	29,000	-	(29,000)
Record preservation grant	18,000	18,000	23,127	5,127
National forest	1,500	1,500	1,236	(264)
Other categorical aid	78,800	78,800	43,696	(35,104)
Total other categorical aid	<u>\$ 2,672,770</u>	<u>\$ 2,460,343</u>	<u>\$ 2,633,841</u>	<u>\$ 173,498</u>
Total categorical aid	<u>\$ 5,482,515</u>	<u>\$ 5,281,092</u>	<u>\$ 5,410,407</u>	<u>\$ 129,315</u>
Total revenue from the Commonwealth	<u>\$ 8,062,825</u>	<u>\$ 7,861,402</u>	<u>\$ 7,900,869</u>	<u>\$ 39,467</u>
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of taxes	\$ 85,000	\$ 85,000	\$ 204,514	\$ 119,514
QSCB federal subsidy	487,113	487,113	416,030	(71,083)
Total noncategorical aid	<u>\$ 572,113</u>	<u>\$ 572,113</u>	<u>\$ 620,544</u>	<u>\$ 48,431</u>
Categorical aid:				
Public assistance and welfare administration	\$ 2,527,526	\$ 2,527,526	\$ 2,726,389	\$ 198,863
Emergency management grant	7,500	7,500	7,500	-
Alcohol impaired driving countermeasures	11,004	5,000	6,395	1,395
State and community highway safety	40,000	40,000	39,036	(964)
Victim witness grant	82,000	82,000	75,902	(6,098)
Total categorical aid	<u>\$ 2,668,030</u>	<u>\$ 2,662,026</u>	<u>\$ 2,855,222</u>	<u>\$ 193,196</u>
Total revenue from the federal government	<u>\$ 3,240,143</u>	<u>\$ 3,234,139</u>	<u>\$ 3,475,766</u>	<u>\$ 241,627</u>
Total General Fund	<u>\$ 34,452,321</u>	<u>\$ 34,745,048</u>	<u>\$ 35,525,563</u>	<u>\$ 780,515</u>
Total Primary Government	<u>\$ 34,452,321</u>	<u>\$ 34,745,048</u>	<u>\$ 35,525,563</u>	<u>\$ 780,515</u>

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

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 3,000	\$ -	\$ 8,984	\$ 8,984
Revenue from the use of property	2,750	2,750	-	(2,750)
Total revenue from use of money and property	\$ 5,750	\$ 2,750	\$ 8,984	\$ 6,234
Charges for services:				
Cafeteria sales	\$ 1,244,440	\$ 1,244,440	\$ 482,468	\$ (761,972)
Transportation of pupils	25,000	25,000	24,490	(510)
Tuition and payments from other divisions	539,300	539,300	570,345	31,045
Total charges for services	\$ 1,808,740	\$ 1,808,740	\$ 1,077,303	\$ (731,437)
Miscellaneous:				
Other miscellaneous	\$ 70,000	\$ 70,000	\$ 46,139	\$ (23,861)
Recovered costs:				
Insurance recoveries and rebates	\$ 100,000	\$ 100,235	\$ 12,957	\$ (87,278)
Sale of equipment	20,000	20,000	20,475	475
Famis/Medicaid reimbursement	200,000	200,000	293,944	93,944
E-rate	138,000	138,000	141,721	3,721
Other recovered costs	132,775	132,540	147,712	15,172
Total recovered costs	\$ 590,775	\$ 590,775	\$ 616,809	\$ 26,034
Total revenue from local sources	\$ 2,475,265	\$ 2,472,265	\$ 1,749,235	\$ (723,030)
Intergovernmental:				
Revenue from local governments				
Contribution from County of Smyth, Virginia	\$ 7,815,575	\$ 8,097,461	\$ 7,929,371	\$ (168,090)
Revenue from the Commonwealth:				
Categorical aid:				
At risk four-year olds	\$ 481,670	\$ 481,670	\$ 481,670	\$ -
At risk payments	747,949	747,949	763,172	15,223
Basic school aid	15,300,451	15,300,451	15,187,024	(113,427)
Breakfast after the bell	9,000	9,000	8,597	(403)
CTE	-	-	12,612	12,612
Early reading intervention	87,304	87,304	102,710	15,406
English as a second language	39,683	39,683	38,030	(1,653)
GED funds	23,576	23,576	24,881	1,305
Gifted and talented	159,912	159,912	159,211	(701)
Group life insurance instructional	66,630	66,630	66,338	(292)
Homebound education	5,214	5,214	6,118	904
Industry certification	-	-	8,953	8,953
Jobs for grads	21,000	21,000	25,000	4,000
Lottery payments	913,232	913,232	910,056	(3,176)

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

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Mentor teacher program	\$ 3,370	\$ 3,370	\$ 2,482	\$ (888)
National board certification	7,500	7,500	5,000	(2,500)
Primary class size	901,163	901,163	893,671	(7,492)
Project graduation	10,446	10,446	10,446	-
Regular foster care	111,905	111,905	49,540	(62,365)
Regular tuition-COOP	301,840	301,840	320,593	18,753
Remedial education	719,605	719,605	716,449	(3,156)
Remedial summer education	88,253	88,253	108,740	20,487
Retirement fringe benefits	2,235,440	2,235,440	2,225,636	(9,804)
School food	30,993	30,993	33,285	2,292
School safety grant	50,000	50,000	87,540	37,540
Share of state sales tax	4,734,360	4,734,360	4,531,753	(202,607)
Small school division enrollment loss	191,886	-	-	-
Social security fringe benefits	976,131	976,131	971,850	(4,281)
Special education - foster children	1,545,818	1,545,818	1,539,039	(6,779)
Special education - regional programs	-	-	62,811	62,811
Standards of Learning algebra readiness	85,763	85,763	88,192	2,429
State hospital	11,475	11,475	2,293	(9,182)
Supplemental support	156,567	156,567	155,825	(742)
Textbook payment	865,733	865,733	364,129	(501,604)
Vocational adult education	66,661	66,661	30,561	(36,100)
Vocational equipment education	-	-	11,890	11,890
Vocational occupational preparedness	-	-	15,285	15,285
Vocational education SOQ payments	832,876	832,876	829,223	(3,653)
VPSA technology grant	420,400	420,400	432,752	12,352
Other state funds	-	-	13,074	13,074
Total categorical aid	\$ 32,203,806	\$ 32,011,920	\$ 31,296,431	\$ (715,489)
Total revenue from the Commonwealth	\$ 32,203,806	\$ 32,011,920	\$ 31,296,431	\$ (715,489)
Revenue from the federal government:				
Categorical aid:				
School breakfast program	\$ -	\$ -	\$ 525,575	\$ 525,575
School lunch program	1,910,243	1,910,243	1,476,058	(434,185)
Summer food service program	-	-	40,417	40,417
Title I	1,350,000	1,350,000	1,301,267	(48,733)
Title VI-B, Special education flow-through	1,039,293	1,039,293	1,074,120	34,827
Vocational education	86,104	86,104	69,938	(16,166)
Title VI-B, Special education pre-school	52,153	52,153	56,501	4,348
Title II	245,000	245,000	230,289	(14,711)
Forest reserve	-	-	76,291	76,291
Fresh fruits and vegetables	22,000	22,000	13,128	(8,872)

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

<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: (Continued)				
Categorical aid: (Continued)				
Language acquisition grant	\$ 1,667	\$ 1,667	\$ 4,084	\$ 2,417
21st century	90,000	90,000	20,024	(69,976)
Title VI	100,000	100,000	96,217	(3,783)
Child and adult care food program	250,000	250,000	332,561	82,561
Third meal	-	-	81,608	81,608
Student support and enrichment program	-	-	14,216	14,216
Total categorical aid	<u>\$ 5,146,460</u>	<u>\$ 5,146,460</u>	<u>\$ 5,412,294</u>	<u>\$ 265,834</u>
Total revenue from the federal government	<u>\$ 5,146,460</u>	<u>\$ 5,146,460</u>	<u>\$ 5,412,294</u>	<u>\$ 265,834</u>
Total School Operating Fund	<u>\$ 47,641,106</u>	<u>\$ 47,728,106</u>	<u>\$ 46,387,331</u>	<u>\$ (1,340,775)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 47,641,106</u>	<u>\$ 47,728,106</u>	<u>\$ 46,387,331</u>	<u>\$ (1,340,775)</u>

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

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:				
General government administration:				
Legislative:				
Board of supervisors	\$ 551,563	\$ 837,330	\$ 769,566	\$ 67,764
General and financial administration:				
County administrator	\$ 443,234	\$ 443,234	\$ 476,516	\$ (33,282)
Legal department	75,000	75,000	34,766	40,234
Commissioner of revenue	294,501	294,501	291,251	3,250
Treasurer	382,903	382,903	396,325	(13,422)
Management information systems	447,747	447,747	445,286	2,461
Total general and financial administration	<u>\$ 1,643,385</u>	<u>\$ 1,643,385</u>	<u>\$ 1,644,144</u>	<u>\$ (759)</u>
Board of elections:				
Electoral board/registrar	\$ 238,997	\$ 238,997	\$ 224,233	\$ 14,764
Total general government administration	<u>\$ 2,433,945</u>	<u>\$ 2,719,712</u>	<u>\$ 2,637,943</u>	<u>\$ 81,769</u>
Judicial administration:				
Courts:				
Circuit court	\$ 82,236	\$ 164,077	\$ 121,557	\$ 42,520
General district court	7,405	7,405	5,861	1,544
Juvenile and domestic court	247,868	247,868	246,203	1,665
Clerk of the circuit court	554,209	563,759	545,554	18,205
Law library	1,000	1,000	-	1,000
Victim witness assistance program	101,375	101,375	93,511	7,864
Total courts	<u>\$ 994,093</u>	<u>\$ 1,085,484</u>	<u>\$ 1,012,686</u>	<u>\$ 72,798</u>
Commonwealth's attorney:				
Commonwealth's attorney	\$ 834,451	\$ 839,451	\$ 671,290	\$ 168,161
Total judicial administration	<u>1,828,544</u>	<u>1,924,935</u>	<u>1,683,976</u>	<u>240,959</u>
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 3,015,169	\$ 3,023,865	\$ 2,948,169	\$ 75,696
Central dispatch	2,800	2,800	3,029	(229)
Total law enforcement and traffic control	<u>\$ 3,017,969</u>	<u>\$ 3,026,665</u>	<u>\$ 2,951,198</u>	<u>\$ 75,467</u>
Fire and rescue services:				
Volunteer fire department	\$ 261,267	\$ 261,267	\$ 261,267	\$ -
Ambulance and rescue service	148,455	148,455	143,729	4,726
Total fire and rescue services	<u>\$ 409,722</u>	<u>\$ 409,722</u>	<u>\$ 404,996</u>	<u>\$ 4,726</u>
Correction and detention:				
Sheriff - jail	\$ 2,802,833	\$ 2,928,133	\$ 2,928,133	\$ -
Development services:				
Building inspection	\$ 329,305	\$ 329,305	\$ 274,697	\$ 54,608

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

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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)				
Other protection:				
Animal control	\$ 490,621	490,621	\$ 441,650	\$ 48,971
Medical examiner	500	500	440	60
Emergency services - civil defense	22,669	22,669	14,936	7,733
County E-911	485,949	485,949	461,482	24,467
Forestry	8,000	8,000	7,951	49
E-911 wireless	113,760	143,760	137,093	6,667
Asset forfeiture	11,250	11,250	44,202	(32,952)
Police activity	875,716	875,716	858,814	16,902
Special investigation	4,134	4,134	-	4,134
Sheriff federal drug asset	25,000	25,000	-	25,000
E-summons	60,000	60,000	46,550	13,450
Commonwealth Attorney asset forfeiture	210,000	210,000	98,203	111,797
Courthouse security	143,690	143,690	144,624	(934)
Total other protection	<u>\$ 2,451,289</u>	<u>\$ 2,481,289</u>	<u>\$ 2,255,945</u>	<u>\$ 225,344</u>
Total public safety	<u>\$ 9,011,118</u>	<u>\$ 9,175,114</u>	<u>\$ 8,814,969</u>	<u>\$ 360,145</u>
Public works:				
Water and sewer:				
Rye Valley water company	\$ 25,922	\$ 25,922	\$ 25,922	\$ -
Sanitation and waste removal:				
Refuse collection and disposal	\$ 1,458,180	\$ 1,458,830	\$ 1,408,605	\$ 50,225
Convenience stations	298,285	298,285	291,716	6,569
Total sanitation and waste removal	<u>\$ 1,756,465</u>	<u>\$ 1,757,115</u>	<u>\$ 1,700,321</u>	<u>\$ 56,794</u>
Maintenance of general buildings and grounds:				
Courthouse maintenance	\$ 188,854	\$ 184,112	\$ 133,815	\$ 50,297
Health department building	67,791	68,791	63,608	5,183
County office building	266,279	270,021	267,279	2,742
Total maintenance of general buildings and grounds	<u>\$ 522,924</u>	<u>\$ 522,924</u>	<u>\$ 464,702</u>	<u>\$ 58,222</u>
Total public works	<u>\$ 2,305,311</u>	<u>\$ 2,305,961</u>	<u>\$ 2,190,945</u>	<u>\$ 115,016</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 441,023	\$ 441,023	\$ 441,023	\$ -
Mental health and mental retardation:				
Mental health contribution	\$ 166,022	\$ 166,022	\$ 166,022	\$ -

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

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)				
Health and welfare: (Continued)				
Welfare:				
Board members	\$ 4,200	\$ 4,200	\$ 2,400	\$ 1,800
Welfare administration and programs	4,761,144	4,761,144	4,762,773	(1,629)
Comprehensive services act	708,041	1,106,742	1,322,745	(216,003)
Other welfare programs	201,336	201,336	332,264	(130,928)
Total welfare	<u>\$ 5,674,721</u>	<u>\$ 6,073,422</u>	<u>\$ 6,420,182</u>	<u>\$ (346,760)</u>
Total health and welfare	<u>\$ 6,281,766</u>	<u>\$ 6,680,467</u>	<u>\$ 7,027,227</u>	<u>\$ (346,760)</u>
Education:				
Other instructional costs:				
Contribution to Community Colleges	\$ 55,314	\$ 55,314	\$ 55,314	\$ -
Contribution to County School Board	7,815,575	7,905,575	7,929,371	(23,796)
Total education	<u>\$ 7,870,889</u>	<u>\$ 7,960,889</u>	<u>\$ 7,984,685</u>	<u>\$ (23,796)</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Recreation	\$ 29,000	\$ 29,000	\$ 29,000	\$ -
Tourism	35,555	35,555	43,090	(7,535)
Total parks and recreation	<u>\$ 64,555</u>	<u>\$ 64,555</u>	<u>\$ 72,090</u>	<u>\$ (7,535)</u>
Library:				
Library administration	\$ 700,000	\$ 700,000	\$ 700,000	\$ -
Total parks, recreation, and cultural	<u>\$ 764,555</u>	<u>\$ 764,555</u>	<u>\$ 772,090</u>	<u>\$ (7,535)</u>
Community development:				
Planning and community development:				
Planning commission	\$ 6,900	\$ 6,900	\$ 3,719	\$ 3,181
Community and economic development	166,533	166,533	88,362	78,171
Industrial Development Authorities	198,928	198,928	77,600	121,328
Total planning and community development	<u>\$ 372,361</u>	<u>\$ 372,361</u>	<u>\$ 169,681</u>	<u>\$ 202,680</u>
Cooperative extension program:				
Extension office	\$ 90,640	\$ 90,640	\$ 89,092	\$ 1,548
Total community development	<u>\$ 463,001</u>	<u>\$ 463,001</u>	<u>\$ 258,773</u>	<u>\$ 204,228</u>
Capital projects:				
Adwolfe sewer extension	\$ -	\$ -	\$ -	\$ -
Debt service:				
Principal retirement	\$ 2,015,682	\$ 2,015,032	\$ 2,010,009	\$ 5,023
Interest and other fiscal charges	1,801,007	1,801,007	1,801,007	-
Total debt service	<u>\$ 3,816,689</u>	<u>\$ 3,816,039</u>	<u>\$ 3,811,016</u>	<u>\$ 5,023</u>
Total General Fund	<u>\$ 34,775,818</u>	<u>\$ 35,810,673</u>	<u>\$ 35,181,624</u>	<u>\$ 629,049</u>
Total Primary Government	<u>\$ 34,775,818</u>	<u>\$ 35,810,673</u>	<u>\$ 35,181,624</u>	<u>\$ 629,049</u>

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

<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>
Discretely Presented Component Unit - School Board				
School Operating Fund:				
Education:				
Administration of schools:				
Administration and health services	\$ 1,439,378	\$ 1,409,378	\$ 1,403,392	\$ 5,986
Instruction costs:				
Instructional costs	\$ 34,712,135	\$ 34,559,135	\$ 33,616,393	\$ 942,742
Operating costs:				
Pupil transportation	\$ 2,372,189	\$ 2,432,189	\$ 2,427,305	\$ 4,884
Operation and maintenance of school plant	1,590,710	-	4,500,058	(4,500,058)
School food service	3,466,676	3,466,676	2,786,592	680,084
Facilities	2,692,573	4,493,283	1,993	4,491,290
Technology	1,367,445	1,367,445	1,375,657	(8,212)
Total operating costs	<u>\$ 11,489,593</u>	<u>\$ 11,759,593</u>	<u>\$ 11,091,605</u>	<u>\$ 667,988</u>
Total School Operating Fund	<u>\$ 47,641,106</u>	<u>\$ 47,728,106</u>	<u>\$ 46,111,390</u>	<u>\$ 1,616,716</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 47,641,106</u>	<u>\$ 47,728,106</u>	<u>\$ 46,111,390</u>	<u>\$ 1,616,716</u>

Note: Appropriations to the School Board are enforced at the categorical level only.

STATISTICAL INFORMATION

Table 1

County of Smyth, Virginia
Net Position by Component
Last Ten Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Governmental activities										
Net investment in capital assets	\$ 7,410,590	\$ 8,038,644	\$ 8,244,411	\$ 9,369,305	\$ 9,020,728	\$ 9,654,051	\$ 8,750,010	\$ 2,698,110	\$ 6,845,475	\$ 4,920,508
Restricted	1,480,166	1,719,619	668,635	-	-	-	-	-	-	-
Unrestricted	5,821,151	4,836,863	3,351,486	(1,973,096)	4,988,505	4,115,583	4,037,414	10,205,224	7,438,060	7,465,890
Total governmental activities net position	\$ 14,711,907	\$ 14,595,126	\$ 12,264,532	\$ 7,396,209	\$ 14,009,233	\$ 13,769,634	\$ 12,787,424	\$ 12,903,334	\$ 14,283,535	\$ 12,386,398
Business-type activities										
Net investment in capital assets	\$ 15,469,911	\$ 13,773,956	\$ 14,867,097	\$ 15,755,398	\$ 17,059,262	\$ 18,053,445	\$ 18,674,951	\$ 19,522,775	\$ 19,024,141	\$ 19,010,037
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	(268,008)	(175,296)	(199,122)	23,421	79,075	172,073	290,087	314,120	126,899	50,238
Total business-type activities net position	\$ 15,201,903	\$ 13,598,660	\$ 14,667,975	\$ 15,778,819	\$ 17,138,337	\$ 18,225,518	\$ 18,965,038	\$ 19,836,895	\$ 19,151,040	\$ 19,060,275
Primary government										
Net investment in capital assets	\$ 22,880,501	\$ 21,812,600	\$ 23,111,508	\$ 25,124,703	\$ 26,079,990	\$ 27,707,496	\$ 27,424,961	\$ 22,220,885	\$ 25,869,616	\$ 23,930,545
Restricted	1,480,166	1,719,619	668,635	-	-	-	-	-	-	-
Unrestricted	5,553,143	4,661,567	3,152,364	(1,949,675)	5,067,580	4,287,656	4,327,501	10,519,344	7,564,959	7,516,128
Total primary government net position	\$ 29,913,810	\$ 28,193,786	\$ 26,932,507	\$ 23,175,028	\$ 31,147,570	\$ 31,995,152	\$ 31,752,462	\$ 32,740,229	\$ 33,434,575	\$ 31,446,673

Table 2

County of Smyth, Virginia
Change in Net Position by Component
Last Ten Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Expenses										
Governmental activities										
General government administration	\$ 2,108,251	\$ 2,663,712	\$ 2,522,032	\$ 2,197,454	\$ 2,432,123	\$ 2,615,616	\$ 2,243,730	\$ 1,994,406	\$ 2,196,323	\$ 2,300,750
Judicial administration	2,085,710	1,638,101	1,591,793	1,825,563	1,682,907	1,493,566	1,442,451	1,438,437	1,405,720	1,383,156
Public safety	8,492,659	8,539,095	7,610,041	7,095,586	7,142,779	6,668,145	6,606,593	6,073,909	5,840,409	5,500,772
Public works	2,148,119	2,059,998	2,548,965	2,090,129	2,056,232	2,122,689	2,085,140	3,197,528	1,977,527	1,911,028
Health and welfare	6,735,510	6,328,638	6,281,076	5,267,649	5,662,739	5,601,627	5,069,915	5,252,653	5,438,893	5,982,328
Education	9,328,944	8,568,359	6,682,117	9,687,317	9,565,569	8,487,813	8,016,040	9,247,181	7,835,194	7,747,394
Parks, recreation, and cultural	770,828	764,591	1,292,528	1,028,674	1,027,887	1,007,108	1,019,793	1,012,568	1,083,058	1,161,738
Community development	368,790	327,775	334,389	1,150,411	1,476,366	1,195,480	1,266,069	1,310,375	1,324,655	1,682,985
Interest on long-term debt	1,019,376	1,572,972	1,219,313	1,457,368	1,414,721	1,505,797	1,009,693	253,607	287,397	309,053
Total governmental activities	\$ 33,058,187	\$ 32,463,241	\$ 30,082,254	\$ 31,800,151	\$ 32,461,323	\$ 30,697,841	\$ 28,759,424	\$ 29,780,664	\$ 27,389,176	\$ 27,979,204
Business-type activities										
Water and sewer	\$ 2,944,311	\$ 2,927,130	\$ 3,116,610	\$ 3,641,767	\$ 3,304,613	\$ 3,327,527	\$ 3,339,245	\$ 3,290,726	\$ 3,127,163	\$ 3,163,633
Total business-type activities	\$ 2,944,311	\$ 2,927,130	\$ 3,116,610	\$ 3,641,767	\$ 3,304,613	\$ 3,327,527	\$ 3,339,245	\$ 3,290,726	\$ 3,127,163	\$ 3,163,633
Total primary government expenses	\$ 36,002,498	\$ 35,390,371	\$ 33,198,864	\$ 35,441,918	\$ 35,765,936	\$ 34,025,368	\$ 32,098,669	\$ 33,071,390	\$ 30,516,339	\$ 31,142,837
Program Revenues										
Charges for services										
General government administration	\$ 17,828	\$ 37,877	\$ 32,444	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Judicial administration	942,952	829,133	1,096,273	280,374	195,270	176,714	163,113	178,057	177,857	137,056
Public safety	336,387	317,298	356,496	1,364,850	1,039,261	819,844	850,353	800,787	791,428	409,169
Public works	821,118	1,012,486	1,025,428	994,491	916,345	967,251	1,415,524	826,827	766,143	644,738
Health and welfare	-	-	-	12,873	11,531	13,602	11,369	20,993	54,743	81,851
Operating grants and contributions	8,265,629	7,944,314	7,722,207	7,568,809	7,861,211	7,405,851	6,915,771	7,003,283	7,058,063	7,713,727
Capital grants and contributions	-	-	-	-	-	145,000	-	25,000	1,199,255	1,311,013
Total governmental activities program revenues	\$ 10,383,914	\$ 10,141,108	\$ 10,232,848	\$ 10,221,397	\$ 10,023,618	\$ 9,528,262	\$ 9,356,130	\$ 8,854,947	\$ 10,047,489	\$ 10,297,554
Business-type activities										
Charges for services	\$ 2,195,392	\$ 2,204,954	\$ 2,021,625	\$ 2,112,309	\$ 1,922,430	\$ 2,008,325	\$ 1,881,076	\$ 1,859,391	\$ 1,684,425	\$ 1,558,151
Water and sewer	2,530,983	104,237	59,975	171,102	-	155,463	172,048	1,299,201	1,012,032	564,829
Capital grants and contributions	\$ 4,726,375	\$ 2,309,191	\$ 2,081,600	\$ 2,283,411	\$ 1,922,430	\$ 2,163,788	\$ 2,053,124	\$ 3,158,592	\$ 2,696,457	\$ 2,122,980
Total business-type activities program revenues	\$ 15,110,289	\$ 12,450,299	\$ 12,314,448	\$ 12,504,808	\$ 11,946,048	\$ 11,692,050	\$ 11,409,254	\$ 12,013,539	\$ 12,743,946	\$ 12,420,534
Net (expense) revenue	\$ (22,674,273)	\$ (22,322,133)	\$ (19,849,406)	\$ (21,578,754)	\$ (22,437,705)	\$ (21,169,579)	\$ (19,403,294)	\$ (20,925,717)	\$ (17,341,687)	\$ (17,681,650)
Governmental activities	1,782,064	(617,939)	(1,035,010)	(1,358,356)	(1,382,183)	(1,163,739)	(1,286,121)	(132,134)	(430,706)	(1,040,653)
Business-type activities	\$ (20,892,209)	\$ (22,940,072)	\$ (20,884,416)	\$ (22,937,110)	\$ (23,819,888)	\$ (22,333,318)	\$ (20,689,415)	\$ (21,057,851)	\$ (17,772,393)	\$ (18,722,303)
Total primary government net expense										

Table 3

County of Smyth, Virginia
Fund Balance - Governmental Fund
Last Ten Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General Fund										
Non-spendable	\$ 184,089	\$ 170,692	\$ 165,535	\$ 205,182	\$ 181,436	\$ 180,909	\$ 51,925	\$ 65,811	\$ -	\$ -
Reserved/Restricted	1,480,166	1,719,619	7,053,698	12,560,956	21,335,807	25,697,568	39,125,509	3,665,624	327,213	271,965
Committed	945,049	1,108,674	1,241,351	47,531	71,786	62,900	58,485	69,019	-	-
Assigned	-	-	-	-	-	-	-	100,491	-	-
Unreserved/Unassigned	7,893,953	6,431,674	5,158,382	3,059,388	2,914,839	3,614,881	4,932,136	5,559,366	6,426,347	6,763,770
Total general fund	\$ 10,503,257	\$ 9,430,659	\$ 13,618,966	\$ 15,873,057	\$ 24,503,868	\$ 29,556,258	\$ 44,168,055	\$ 9,460,311	\$ 6,753,560	\$ 7,035,735

Note: The county implemented GASB 54 during the fiscal year ending June 30, 2011. As such, fund balance classifications have been changed to include amounts that are restricted, assigned, committed, and nonspendable as reported above for years ending on June 30, 2011 and thereafter.

County of Smyth, Virginia
Changes in Fund Balance, Governmental Fund
Last Ten Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Revenues										
General property taxes	\$ 17,124,424	\$ 16,516,355	\$ 16,947,861	\$ 16,278,485	\$ 16,532,802	\$ 15,861,854	\$ 14,294,912	\$ 14,371,915	\$ 13,279,456	\$ 12,712,891
Other local taxes	3,529,183	3,444,795	3,370,056	3,880,265	3,706,500	3,739,754	3,684,150	3,563,510	3,602,074	3,543,160
Permits, privilege fees, and licenses	129,113	113,794	135,421	95,901	161,986	124,647	127,045	73,903	106,118	73,893
Fines and forfeitures	928,528	814,522	1,082,497	1,280,930	888,941	714,666	726,131	730,320	686,447	332,601
Revenue from use of money and property	269,998	227,311	138,545	242,917	219,217	335,497	289,596	193,732	460,995	306,665
Charges for services	1,060,644	1,268,478	1,292,723	1,236,967	1,065,606	1,010,630	1,033,161	923,651	864,853	706,364
Recovered costs	848,829	398,251	301,480	234,006	260,219	335,169	760,405	368,489	456,267	474,954
Other	258,209	240,957	160,814	224,296	240,188	218,097	210,723	229,645	272,431	295,065
Intergovernmental	11,376,635	10,525,309	10,250,080	9,388,971	9,705,113	9,292,314	8,580,386	8,592,450	10,121,606	10,705,838
Total revenues	\$ 35,525,563	\$ 33,549,772	\$ 33,679,477	\$ 32,862,738	\$ 32,780,572	\$ 31,632,628	\$ 29,706,509	\$ 29,047,615	\$ 29,850,247	\$ 29,151,431
Expenditures										
General government administration	\$ 2,637,943	\$ 2,680,532	\$ 2,274,638	\$ 2,160,543	\$ 2,412,477	\$ 2,735,775	\$ 2,140,645	\$ 1,859,579	\$ 2,065,201	\$ 2,272,484
Judicial administration	1,683,976	1,601,951	1,554,655	1,809,226	1,690,506	1,438,614	1,405,780	1,394,442	1,357,675	1,350,907
Public safety	8,814,969	8,200,093	7,625,091	6,746,242	6,676,032	6,718,463	6,408,287	6,091,332	7,394,977	6,744,660
Public works	2,190,945	2,364,772	2,322,184	1,906,816	2,019,165	2,051,755	2,090,119	2,075,657	1,991,431	1,918,849
Health and welfare	7,027,227	6,413,303	6,359,049	5,404,748	5,679,174	5,563,404	5,073,079	5,231,583	5,418,921	5,926,197
Education	7,984,685	7,296,634	5,378,772	8,275,288	8,040,810	7,638,606	7,131,034	8,299,224	6,886,448	6,788,029
Parks, recreation, and cultural	772,090	764,563	914,558	976,479	976,479	955,046	968,916	963,066	1,030,216	1,106,836
Community development	258,773	329,678	339,554	1,186,002	1,176,400	1,091,483	1,321,245	1,427,807	1,476,745	1,839,806
Capital projects	-	5,857,294	5,593,129	6,946,025	3,095,262	16,269,549	11,022,959	1,895,888	681,967	236,725
Debt service:										
Principal retirement	2,010,009	2,089,810	1,933,169	1,970,201	4,190,481	1,966,989	6,033,554	1,018,164	1,006,630	1,013,399
Interest and other fiscal charges	1,801,007	1,466,236	1,628,640	1,408,231	1,585,060	1,654,575	891,381	270,749	302,630	334,029
Total expenditures	\$ 35,181,624	\$ 39,064,866	\$ 35,923,439	\$ 38,789,801	\$ 37,541,846	\$ 48,084,259	\$ 44,486,999	\$ 30,327,491	\$ 29,612,841	\$ 29,531,921
Excess of revenues over (under) expenditures	\$ 343,939	\$ (5,515,094)	\$ (2,243,962)	\$ (5,927,063)	\$ (4,761,274)	\$ (16,451,631)	\$ (14,780,490)	\$ (1,479,876)	\$ 237,406	\$ (380,490)
Other Financing Sources (Uses)										
Issuance of bonds	\$ -	\$ -	\$ -	\$ 10,970,000	\$ -	\$ 2,170,893	\$ 48,985,000	\$ 5,003,600	\$ -	\$ -
Issuance of loan payable	-	1,156,824	-	-	-	-	-	-	-	-
Issuance of refunding bonds	-	20,454,976	-	-	-	-	-	-	-	-
Issuance of bridge loan	-	2,300,000	-	-	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	(23,036,389)	-	(14,233,704)	-	-	-	-	-	-
Bond issuance costs	-	-	-	(108,102)	-	-	(86,000)	-	-	-
Premium on bonds	-	-	-	1,840,039	-	-	1,840,039	-	-	-
Underwriter's discount on bonds	-	-	-	1,272,643	-	-	(493,563)	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	161,140	451,376	12,719	183,763	-	-	-	-	-	-
Transfers out	-	-	(22,848)	(275,472)	(291,116)	(469,443)	(409,228)	(816,973)	(519,581)	(344,818)
Total other financing sources (uses)	\$ 161,140	\$ 1,326,787	\$ (10,129)	\$ (2,190,872)	\$ (291,116)	\$ 1,701,450	\$ 49,836,248	\$ 4,186,627	\$ (519,581)	\$ (344,818)
Net change in fund balance	\$ 505,079	\$ (4,188,307)	\$ (2,254,091)	\$ (8,117,935)	\$ (5,052,390)	\$ (14,750,181)	\$ 35,055,758	\$ 2,706,751	\$ (282,175)	\$ (725,308)
Debt service as a percentage of noncapital expenditures	13.27%	10.91%	11.89%	10.61%	16.77%	11.38%	20.69%	4.50%	4.53%	4.60%

Table 5

County of Smyth, Virginia
Assessed Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Estate (1)	Personal Property (2)	Public Service Companies (3)	Total
2018	\$ 1,404,431,009	\$ 404,465,636	\$ 162,591,936	1,971,488,581
2017	1,400,794,341	388,325,907	154,952,331	1,944,072,579
2016	1,390,638,146	379,128,098	144,137,642	1,913,903,886
2015	1,398,811,514	384,132,517	136,867,929	1,919,811,960
2014	1,429,094,226	401,053,105	124,002,508	1,954,149,839
2013	1,444,667,238	360,243,649	129,520,200	1,934,431,087
2012	1,420,768,624	351,413,101	119,374,517	1,891,556,242
2011	1,415,159,070	351,573,398	121,374,173	1,888,106,641
2010	1,200,972,525	364,320,155	83,886,362	1,649,179,042
2009	1,192,258,091	387,895,958	87,327,987	1,667,482,036

(1) Real estate is assessed at 100% of fair market value.

(2) Personal property is assessed at 100% of fair market value as of January 1, 1995.

(3) Assessed by the State Corporation Commission.

Table 6

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

Fiscal Year	Real Estate	Personal Property	Machinery and Tools	Merchant's Capital	Interstate Commerce
2018	\$ 0.74	\$ 2.30	\$ 1.55	\$ 0.40	\$ 1.55
2017	0.74	2.30	1.55	0.40	1.55
2016	0.74	2.30	1.55	0.40	1.55
2015	0.74	2.30	1.55	0.40	1.55
2014	0.74	2.30	1.55	0.40	1.55
2013	0.74	2.30	1.55	0.40	1.55
2012	0.69	2.25	1.55	0.40	1.55
2011	0.69	2.25	1.55	0.40	1.20
2010	0.69	2.25	1.55	0.40	1.20
2009	0.63	2.25	1.20	0.40	1.20

(1) Per \$100 of assessed value.

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

Fiscal Year	Total Tax Levy (1)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of		Outstanding Delinquent Taxes (1)	Percent of Delinquent Taxes to Tax Levy
						Total Tax Collections to Tax Levy	Delinquent Taxes (1)		
2018	\$ 19,036,228	\$ 17,522,360	92.05%	\$ 917,454	\$ 18,439,814	96.87%	\$ 4,577,264	24.05%	
2017	18,780,259	17,638,468	93.92%	758,265	18,396,733	97.96%	4,379,621	23.32%	
2016	18,454,479	17,359,495	94.07%	1,201,066	18,560,561	100.57%	4,093,425	22.18%	
2015	18,517,112	15,175,265	81.95%	815,738	15,991,003	86.36%	4,430,581	23.93%	
2014	18,532,906	15,564,710	83.98%	659,241	16,223,951	87.54%	4,126,146	22.26%	
2013	18,035,837	14,839,925	82.28%	686,541	15,526,466	86.09%	3,800,525	21.07%	
2012	16,472,150	13,522,831	82.10%	616,523	14,139,354	85.84%	3,206,313	19.47%	
2011	14,543,200	13,549,846	93.17%	489,730	14,039,576	96.54%	2,747,133	18.89%	
2010	13,420,595	12,566,068	93.63%	436,121	13,002,189	96.88%	2,331,515	17.37%	
2009	12,593,867	11,897,779	94.47%	489,314	12,387,093	98.36%	2,007,598	15.94%	

(1) Exclusive of penalties and interest.

Levy includes amounts collectible from the State under the PPTRA program and motor vehicle license fees

Table 8

County of Smyth, Virginia
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental			Business-type			General Obligation Bonds			Other			Business-type			Total Debt		
	General			General			Total			Governmental			Activities			Total		
	Obligation Bonds	Obligation Bonds	Per Capita	Obligation Bonds	Obligation Bonds	Per Capita	Obligation Bonds	Obligation Bonds	Per Capita	Activities Debt	Other Debt	Revenue Bonds	Revenue Bonds	Per Capita	Government	Government	Per Capita	
2018	\$ 32,675,976	\$ 7,318,465	\$ 1,288	\$ 39,994,441	\$ 39,994,441	\$ 1,288	\$ 11,495,508	\$ 11,495,508	\$ 1,288	\$ 11,495,508	\$ 3,939,926	\$ 3,939,926	\$ 1,288	\$ 55,429,875	\$ 55,429,875	\$ 1,784		
2017	34,211,950	7,824,343	1,305	42,036,293	42,036,293	1,305	13,583,009	13,583,009	1,305	13,583,009	1,935,674	1,935,674	1,305	57,554,976	57,554,976	1,787		
2016	36,668,901	7,119,340	1,360	43,788,241	43,788,241	1,360	10,714,862	10,714,862	1,360	10,714,862	1,973,759	1,973,759	1,360	56,476,862	56,476,862	1,754		
2015	36,267,379	5,065,234	1,283	41,332,613	41,332,613	1,283	11,018,539	11,018,539	1,283	11,018,539	5,395,000	5,395,000	1,283	57,746,152	57,746,152	1,793		
2014	26,608,260	5,178,026	987	31,786,286	31,786,286	987	25,911,563	25,911,563	987	25,911,563	5,675,000	5,675,000	987	63,372,849	63,372,849	1,968		
2013	27,886,530	5,287,434	1,030	33,173,964	33,173,964	1,030	28,823,774	28,823,774	1,030	28,823,774	5,946,000	5,946,000	1,030	67,943,738	67,943,738	2,110		
2012	29,152,383	5,393,536	1,073	34,545,919	34,545,919	1,073	27,354,017	27,354,017	1,073	27,354,017	6,208,000	6,208,000	1,073	68,107,936	68,107,936	2,115		
2011	7,549,801	11,859,427	603	19,409,228	19,409,228	603	6,005,153	6,005,153	603	6,005,153	-	-	603	25,414,381	25,414,381	789		
2010	2,913,233	12,154,042	475	15,067,275	15,067,275	475	6,656,286	6,656,286	475	6,656,286	-	-	475	21,723,561	21,723,561	684		
2009	3,268,724	12,136,059	481	15,404,783	15,404,783	481	7,307,425	7,307,425	481	7,307,425	-	-	481	22,712,208	22,712,208	709		

Table 9

County of Smyth, Virginia
Population
Last Ten Fiscal Years

Fiscal Year	Population
2018	31,062
2017	31,062
2016	32,208
2015	32,208
2014	32,208
2013	32,208
2012	32,208
2011	32,208
2010	31,738
2009	32,050

Source: United State Bureau of Census

COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

To the Honorable Members of the Board of Supervisors
County of Smyth, Virginia
Marion, 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 units, each major fund, and the aggregate remaining fund information of the County of Smyth, Virginia, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County of Smyth, Virginia's basic financial statements, and have issued our report thereon dated December 4, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Smyth, 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*.

Purpose of this Report

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

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
December 4, 2018

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

To the Honorable Members of the Board of Supervisors
County of Smyth, Virginia
Marion, Virginia

Report on Compliance for Each Major Federal Program

We have audited the County of Smyth, 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 the County of Smyth, Virginia's major federal programs for the year ended June 30, 2018. County of Smyth, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the County of Smyth, 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 the County of Smyth, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

Management of the County of Smyth, Virginia is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County of Smyth, 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 the County of Smyth, 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.

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
December 4, 2018

COUNTY OF SMYTH, VIRGINIA

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

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
DEPARTMENT OF AGRICULTURE:			
Direct Payments:			
Water and Waste Disposal Systems for Rural Communities	10.760	NA	\$ 4,368,043
Pass through payments from:			
<i>Department of Social Services:</i>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010115/0010116/0040116	505,565
<i>Department of Education:</i>			
Schools and Roads - Grants to States	10.665	43841	76,291
Child Nutrition Cluster:			
School Breakfast Program	10.553	40591	\$ 525,575
<i>Department of Education:</i>			
National School Lunch Program	10.555	40623	\$ 1,315,527
<i>State Department of Agriculture:</i>			
Food Distribution-Schools (Note C)	10.555	unavailable	160,531
Total National School Lunch Program			\$ 1,476,058
Summer Food Service Program for Children	10.559	unavailable	40,417
Total Child Nutrition Cluster			2,042,050
Child and Adult Care Food Program	10.558	unavailable	332,561
Fresh Fruit and Vegetable Program	10.582	unavailable	13,128
Child Nutrition Discretionary Grants Limited Availability	10.579	unavailable	81,608
Pilot Projects to Reduce Dependency and Increase Work Requirements and Work Effort under SNAP	10.596	0060115	35,461
Total Department of Agriculture			\$ 7,454,707
DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Pass through payments from:			
<i>Department of Social Services:</i>			
Promoting Safe and Stable Families	93.556	0950114/0950115	\$ 1,992
Temporary Assistance for Needy Families	93.558	0400115/0400116	465,525
Refugee and Entrant Assistance - State Administered Programs	93.566	0500115/0500116	672
Low Income Home Energy Assistance	93.568	0600415/0600416	61,714
Social Services Block Grant	93.667	1000115/1000116	448,370
Chafee Foster Care Independence Program	93.674	9150115/9150116	5,049
Children's Health Insurance Program	93.767	05401150540116	20,841
Medical Assistance Program	93.778	1200115/1200116	517,772
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900115/0900116	1,479
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760115/0760116	72,819
Foster Care - Title IV E	93.658	1100115/1100116	367,997
Adoption Assistance	93.659	1120115/1120116	216,783
Adoption and Legal Guardianship Incentive Payments	93.603	unavailable	4,350
Total Department of Health and Human Services			\$ 2,185,363
DEPARTMENT OF HOMELAND SECURITY:			
Pass through payments from:			
<i>Department of Emergency Management:</i>			
Emergency Management Performance Grants	97.042	unavailable	\$ 7,500
State Homeland Security Program	97.073	NA	
Homeland Security Grant Program	97.067	unavailable	39,036
Total Department of Homeland Security			\$ 46,536
DEPARTMENT OF TRANSPORTATION:			
Pass through payments from:			
<i>Department of Motor Vehicles:</i>			
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	unavailable	\$ 6,395
DEPARTMENT OF JUSTICE:			
Pass through payments from:			
<i>Office of Victims of Crime</i>			
Crime Victim Assistance	16.575	unavailable	\$ 75,902

COUNTY OF SMYTH, VIRGINIA

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

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
DEPARTMENT OF EDUCATION:			
Pass through payments from:			
<i>Department of Education:</i>			
Career and Technical Education -- Basic Grants to States	84.048	61095	\$ 69,938
Supporting Effective Instruction State Grant	84.367	61480	230,289
English Language Acquisition State Grants	84.365	unavailable	4,084
Title I Grants to Local Educational Agencies	84.010	42901	1,301,267
Special Education - Grants to States (Special Education Cluster - IDEA)	84.027	73071	\$ 1,074,120
Special Education - Preschool Grants (Special Education Cluster - IDEA)	84.173	62521	<u>56,501</u>
Total Special Education Cluster			1,130,621
Twenty-First Century Community Learning Centers	84.287	unavailable	20,024
Rural Education	84.358	unavailable	96,217
Student Support and Enrichment Program	84.424	unavailable	14,216
Total Department of Education			<u>\$ 2,866,656</u>
Total Expenditures of Federal Awards			<u>\$ 12,635,559</u>

Notes to Schedule of Expenditures of Federal Awards

Note A--Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County of Smyth, Virginia under programs of the federal government for the year ended June 30, 2018. The information in the Schedule is presented in accordance with the requirements of the Office of Management and Budgets Uniform Guidance. Because the Schedule presents only a selected portion of the operations of the County of Smyth, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County of Smyth, Virginia.

Note B--Summary of Significant Accounting Policies

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB's Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement.
- (2) Pass-through entity indentifying number are presented where available.
- (3) The County did not elect the 10% de minimis indirect cost rate because they only request direct costs for reimbursement

Note C--Food Distribution

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

Note D--Outstanding Balance of Federal Loans

The County has received federal funding through loans. At June 30, 2018 the outstanding balance of these loans was: \$ 3,939,926

Note E--Subrecipients

The County did not have any subrecipients for the year ended June 30, 2018.

Note F--Relationship to the Financial Statements:

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

Primary government:

General Fund - Intergovernmental	\$ 11,376,635
Less: Revenue from the Commonwealth	(7,900,869)
Less: Payment in Lieu of Taxes	(204,514)
Less: QSCB interest subsidy	(416,030)
Proprietary Funds - Federal grants	2,324,043
Proprietary Funds - Debt issuance	2,044,000
Component Unit School Board:	
School Operating Fund - Intergovernmental	44,638,096
Less: Revenue from local governments	(7,929,371)
Less: Revenue from the Commonwealth	<u>(31,296,431)</u>

Total federal expenditures per the Schedule of Expenditures of Federal Awards \$ 12,635,559

County of Smyth, Virginia

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

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:
Material weakness(es) identified? No
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:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
10.553/10.555/10.559	Child Nutrition Cluster
10.760	Water and Waste Disposal Systems for Rural Communities
84.010	Title I Grants to Local Educational Agencies

Dollar threshold used to distinguish between Type A and Type B programs \$750,000

Auditee qualified as low-risk auditee? No

Section II - Financial Statement Findings

None reported.

Section III - Federal Award Findings and Questioned Costs

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

Section IV - Status of Prior Audit Findings

There were no prior audit findings related to federal awards.