

FINANCIAL STATEMENTS



COUNTY OF SMYTH, VIRGINIA

FOR THE YEAR ENDED
JUNE 30, 2021

COUNTY OF SMYTH, VIRGINIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2021

COUNTY OF SMYTH, VIRGINIA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2021

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INTRODUCTORY SECTION

COUNTY OF SMYTH, VIRGINIA

BOARD OF SUPERVISORS

Lori Deel, Vice Chair
Michael Sturgill
Kris Ratliff

Charles Atkins, Chair

Judy Wyant
Roscoe D. Call
Charles Phil Stevenson (Phil)

COUNTY SCHOOL BOARD

Susan Williams, Vice Chair
Paul Grinstead
Todd Williams

Jesse Choate, Chair

Roger Frye
C.M. "Mac" Buchanan
Kyle Rhodes

SOCIAL SERVICES BOARD

Tom Hess
Norma Teaters
Patsy Waddle

Kim Daughtery, Chair

Wanda Sanderson
Blake Frazier
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 Shawn Utt

FINANCIAL SECTION



ROBINSON, FARMER, COX ASSOCIATES, PLLC

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, 2021, 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, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 30 to the financial statements, in 2021, the County adopted new accounting guidance, GASB Statement Nos. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Restatement of Beginning Balances

As described in Note 30 to the financial statements, in 2021, the County restated beginning balances to reflect the requirements of GASB Statement No. 84. 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 94 and 95-113 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* 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 November 12, 2021, 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, Jarmon, Cox, Associates

Blacksburg, Virginia
November 12, 2021

Basic Financial Statements

County of Smyth, Virginia
Statement of Net Position
June 30, 2021

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	School Board	Library	EDA
ASSETS						
Cash and cash equivalents	\$ 16,530,793	\$ -	\$ 16,530,793	\$ 3,384,062	\$ 317,375	\$ 261,367
Investments	1,605,593	-	1,605,593	783,015	35,765	589,945
Investment in Smyth-Washington IFA	302,804	-	302,804	-	-	-
Receivables (net of allowance for uncollectibles):						
Taxes receivable	25,062,229	-	25,062,229	-	-	-
Accounts receivable	266,105	399,927	666,032	232,552	51,050	-
Due from component unit	146,213	-	146,213	-	-	-
Due from primary government	-	-	-	1,922,414	-	-
Due from other governmental units	2,357,710	142,103	2,499,813	2,772,973	-	-
Inventories	-	-	-	138,619	-	-
Prepaid items	171,678	-	171,678	633,770	10,501	-
Accrued interest	-	-	-	-	-	369
Restricted assets:						
Investments	721,030	-	721,030	-	15,090	-
Cash and cash equivalents	-	-	-	-	18,804	-
Capital assets (net of accumulated depreciation):						
Land	682,440	44,831	727,271	844,463	-	4,823,062
Buildings and improvements	41,680,948	-	41,680,948	4,548,092	-	-
Machinery and equipment	3,641,733	62,104	3,703,837	2,393,051	35,908	-
Infrastructure	26,894	22,088,598	22,115,492	-	-	-
Construction in progress	-	523,570	523,570	-	-	-
Total assets	\$ 93,196,170	\$ 23,261,133	\$ 116,457,303	\$ 17,653,011	\$ 484,493	\$ 5,674,743
DEFERRED OUTFLOWS OF RESOURCES						
Deferred charge on refunding	\$ 1,088,076	\$ -	\$ 1,088,076	\$ -	\$ -	\$ -
Pension related items	2,251,111	83,903	2,335,014	10,020,536	105,032	-
OPEB related items	333,836	12,292	346,128	1,334,658	16,194	-
Total deferred outflows of resources	\$ 3,673,023	\$ 96,195	\$ 3,769,218	\$ 11,355,194	\$ 121,226	\$ -
LIABILITIES						
Accounts payable	\$ 733,415	\$ 187,178	\$ 920,593	\$ 374,596	\$ 14,498	\$ 13,686
Accrued liabilities	-	-	-	4,535,936	16,669	-
Accrued wages and health claims	129,274	-	129,274	-	-	-
Customers' deposits	-	1,914	1,914	-	-	-
Accrued interest payable	299,048	57,598	356,646	-	-	-
Due to primary government	-	-	-	-	-	146,213
Due to component unit	1,922,414	-	1,922,414	-	-	-
Cash bond held in escrow	26,875	-	26,875	-	-	-
Unearned revenue	3,473,675	-	3,473,675	-	-	-
Long-term liabilities:						
Due within one year	3,456,722	624,861	4,081,583	384,356	30,892	-
Due in more than one year	42,922,692	9,235,437	52,158,129	50,919,163	522,059	-
Total liabilities	\$ 52,964,115	\$ 10,106,988	\$ 63,071,103	\$ 56,214,051	\$ 584,118	\$ 159,899
DEFERRED INFLOWS OF RESOURCES						
Deferred revenue-property taxes	\$ 21,867,600	\$ -	\$ 21,867,600	\$ -	\$ -	\$ -
Property taxes paid in advance	328,196	-	328,196	-	-	-
Pension related items	472,330	17,238	489,568	4,493,313	62,182	-
OPEB related items	259,456	9,594	269,050	1,385,325	12,822	-
Total deferred inflows of resources	\$ 22,927,582	\$ 26,832	\$ 22,954,414	\$ 5,878,638	\$ 75,004	\$ -
NET POSITION						
Net investment in capital assets	\$ 10,597,262	\$ 13,164,789	\$ 23,762,051	\$ 7,785,606	\$ 35,908	\$ 4,823,062
Restricted (See note 27)	1,588,663	-	1,588,663	1,229,969	33,894	-
Unrestricted (Deficit)	8,791,571	58,719	8,850,290	(42,100,059)	(123,205)	691,782
Total net position	\$ 20,977,496	\$ 13,223,508	\$ 34,201,004	\$ (33,084,484)	\$ (53,403)	\$ 5,514,844

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, 2021

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position				
	Expenses	Charges for Services	Operating		Primary Government		Component Units		
			Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	School Board	Library
PRIMARY GOVERNMENT:									
Governmental activities:									
General government administration	\$ 2,434,213	\$ 8,824	\$ 294,150	\$ -	\$ (2,131,239)	\$ -	\$ (2,131,239)	\$ -	\$ -
Judicial administration	2,487,513	881,222	933,935	-	(672,356)	-	(672,356)	-	-
Public safety	9,694,665	349,142	4,077,352	-	(5,268,171)	-	(5,268,171)	-	-
Public works	2,658,740	836,597	548,801	-	(1,273,342)	-	(1,273,342)	-	-
Health and welfare	8,917,782	-	6,144,639	-	(2,773,143)	-	(2,773,143)	-	-
Education	9,107,198	-	709,170	-	(8,398,028)	-	(8,398,028)	-	-
Parks, recreation, and cultural	711,535	-	-	-	(711,535)	-	(711,535)	-	-
Community development	2,509,137	-	2,343,667	-	(165,470)	-	(165,470)	-	-
Interest on long-term debt	871,985	-	-	-	(871,985)	-	(871,985)	-	-
Total governmental activities	\$ 39,392,768	\$ 2,075,785	\$ 15,051,714	\$ -	\$ (22,265,269)	\$ -	\$ (22,265,269)	\$ -	\$ -
Business-type activities:									
Water and sewer	\$ 3,200,368	\$ 2,173,737	\$ -	\$ 311,496	\$ -	\$ (715,135)	\$ (715,135)	\$ -	\$ -
Total primary government	\$ 42,593,136	\$ 4,249,522	\$ 15,051,714	\$ 311,496	\$ (22,265,269)	\$ (715,135)	\$ (22,980,404)	\$ -	\$ -
COMPONENT UNITS:									
School Board	\$ 49,681,519	\$ 921,925	\$ 41,609,206	\$ -	\$ -	\$ -	\$ (7,150,388)	\$ -	\$ -
Library	957,798	1,572	954,399	17,310	-	-	-	15,483	-
Economic Development Authority	542,694	-	300,000	-	-	-	-	-	(242,694)
Total component units	\$ 51,182,011	\$ 923,497	\$ 42,863,605	\$ 17,310	\$ -	\$ -	\$ (7,150,388)	\$ 15,483	\$ (242,694)
General revenues:									
General property taxes					\$ 19,089,572	\$ -	\$ 19,089,572	\$ -	\$ -
Other local taxes:									
Local sales and use taxes					2,554,268	-	2,554,268	-	-
Consumers' utility taxes					657,781	-	657,781	-	-
Motor vehicle taxes					483,287	-	483,287	-	-
Taxes on recordation and wills					147,907	-	147,907	-	-
Restaurant food taxes					41,766	-	41,766	-	-
Other local taxes					40,337	-	40,337	-	-
Permits, privilege fees, and regulatory licenses					-	-	-	-	-
Fines and forfeitures					-	-	-	-	-
Unrestricted revenues from the use of money and property					250,481	-	250,481	13,787	69
Miscellaneous					219,628	-	219,628	56,008	14,850
Return of grant funds					-	-	-	-	300,644
Grants and contributions not restricted to specific programs					2,544,230	-	2,544,230	8,137,390	40,000
Transfers					(319,661)	319,661	-	-	-
Total general revenues and transfers					\$ 25,709,596	\$ 319,661	\$ 26,029,257	\$ 8,207,185	\$ 14,919
Change in net position					\$ 3,444,327	\$ (395,474)	\$ 3,048,853	\$ 1,056,797	\$ 30,402
Net position (deficit) - beginning, as restated					17,533,169	13,618,982	31,152,151	(34,141,281)	(83,805)
Net position (deficit) - ending					\$ 20,977,496	\$ 13,223,508	\$ 34,201,004	\$ (33,084,484)	\$ (53,403)
								\$ 5,514,844	\$ 5,514,844

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

County of Smyth, Virginia
Balance Sheet
Governmental Fund
June 30, 2021

	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ 16,530,793
Investments	1,605,593
Receivables (net of allowance for uncollectibles):	
Taxes receivable	25,062,229
Accounts receivable	266,105
Due from component unit	146,213
Due from other governmental units	2,357,710
Prepaid items	171,678
Restricted assets:	
Investments	721,030
Total assets	<u>\$ 46,861,351</u>
LIABILITIES	
Accounts payable	\$ 733,415
Accrued liabilities	129,274
Due to component unit	1,922,414
Cash bond held in escrow	26,875
Unearned revenue	3,473,675
Total liabilities	<u>\$ 6,285,653</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue-property taxes	\$ 24,631,694
Property taxes paid in advance	328,196
Total deferred inflows of resources	<u>\$ 24,959,890</u>
FUND BALANCES	
Nonspendable:	
Prepaid items	\$ 171,678
Restricted (See note 28)	1,588,663
Committed (See note 28)	227,520
Unassigned	13,627,947
Total fund balances	<u>\$ 15,615,808</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 46,861,351</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, 2021

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Fund	\$	15,615,808
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land	\$ 682,440		
Buildings and improvements	41,680,948		
Machinery and equipment	3,641,733		
Infrastructure	<u>26,894</u>		46,032,015

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

Unavailable revenue - property taxes	\$ 2,764,094		
Investment in the Smyth-Washington Industrial Facilities Authority	<u>302,804</u>		3,066,898

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	\$ 1,088,076		
Pension related items	2,251,111		
OPEB related items	<u>333,836</u>		3,673,023

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	\$ (26,828,546)		
School construction bonds	(7,081,477)		
Bond premium (to be amortized over life of debt)	(1,742,836)		
Capital leases	(1,591,000)		
Accrued interest payable	(299,048)		
Landfill postclosure liability	(344,579)		
Compensated absences	(1,176,876)		
Net pension liability	(5,418,920)		
Net OPEB liabilities	<u>(2,195,180)</u>		(46,678,462)

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

Pension related items	\$ (472,330)		
OPEB related items	<u>(259,456)</u>		(731,786)

Net position of governmental activities	\$	<u><u>20,977,496</u></u>
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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, 2021

	<u>General</u>
REVENUES	
General property taxes	\$ 19,619,232
Other local taxes	3,925,346
Permits, privilege fees, and regulatory licenses	61,333
Fines and forfeitures	871,402
Revenue from the use of money and property	250,481
Charges for services	1,143,050
Miscellaneous	219,628
Recovered costs	1,245,807
Intergovernmental	18,083,057
Total revenues	<u>\$ 45,419,336</u>
EXPENDITURES	
Current:	
General government administration	\$ 3,022,938
Judicial administration	1,908,480
Public safety	11,024,808
Public works	2,647,229
Health and welfare	8,753,992
Education	8,209,775
Parks, recreation, and cultural	731,111
Community development	2,506,328
Debt service:	
Principal retirement	2,160,612
Interest and other fiscal charges	1,670,540
Total expenditures	<u>\$ 42,635,813</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 2,783,523</u>
OTHER FINANCING SOURCES (USES)	
Transfers out	<u>\$ (319,661)</u>
Net change in fund balances	\$ 2,463,862
Fund balances - beginning	13,151,946
Fund balances - ending	<u><u>\$ 15,615,808</u></u>

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, 2021

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

Net change in fund balances - total governmental fund	\$	2,463,862
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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	\$ 2,055,683	
Depreciation expenses	(2,360,088)	(304,405)

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

Property taxes		(529,660)
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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.

Increase in accrued landfill closure/postclosure liability	\$ (12,192)	
Principal repayments:		
General obligation bonds	919,935	
School construction bonds	893,677	
Capital leases	347,000	2,148,420

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	\$ (149,782)	
Change in accrued interest payable	14,315	
Change in pension related items	(432,857)	
Change in OPEB related items	(62,693)	
Amortization of bond premium	396,043	
Amortization of deferred charge on refunding	(98,916)	(333,890)

Change in net position of governmental activities	\$	<u>3,444,327</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, 2021

	<u>Enterprise Fund Water and Sewer</u>
ASSETS	
Current assets:	
Accounts receivable, net of allowance for uncollectibles	\$ 399,927
Due from other governmental units	142,103
Total current assets	<u>\$ 542,030</u>
Noncurrent assets:	
Capital assets:	
Land	\$ 44,831
Utility plant in service	51,935,369
Machinery and equipment	748,777
Construction in progress	523,570
Accumulated depreciation	(30,533,444)
Total capital assets	<u>\$ 22,719,103</u>
Total noncurrent assets	<u>\$ 22,719,103</u>
Total assets	<u>\$ 23,261,133</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension related items	\$ 83,903
OPEB related items	12,292
Total deferred outflows of resources	<u>\$ 96,195</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 187,178
Customers' deposits	1,914
Accrued interest payable	57,598
Compensated absences - current portion	18,311
Bonds payable - current portion	606,550
Total current liabilities	<u>\$ 871,551</u>
Noncurrent liabilities:	
Compensated absences - net of current portion	\$ 6,104
Bonds payable - net of current portion	8,947,764
Net OPEB liabilities	81,178
Net pension liability	200,391
Total noncurrent liabilities	<u>\$ 9,235,437</u>
Total liabilities	<u>\$ 10,106,988</u>
DEFERRED INFLOWS OF RESOURCES	
Pension related items	\$ 17,238
OPEB related items	9,594
Total deferred inflows of resources	<u>\$ 26,832</u>
NET POSITION	
Net investment in capital assets	\$ 13,164,789
Unrestricted (deficit)	58,719
Total net position	<u>\$ 13,223,508</u>

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, 2021

	Enterprise Fund Water and Sewer
OPERATING REVENUES	
Charges for services:	
Water revenues	\$ 1,339,072
Sewer revenues	784,700
Connection fees	20,025
Penalties	12,087
Service charges	13,257
Application fees	4,075
Miscellaneous	521
Total operating revenues	<u>\$ 2,173,737</u>
OPERATING EXPENSES	
Personnel services	\$ 422,944
Water purchases	423,279
Water and wastewater service	400,642
Automotive expenses	22,679
Office supplies	22,297
Uniforms	2,819
Utilities	53,491
Permits	11,353
Postage	1,331
Telephone	5,962
Maintenance supplies	54,141
Repair and maintenance	42,167
Miscellaneous	7,214
Depreciation	1,515,217
Total operating expenses	<u>\$ 2,985,536</u>
Operating income (loss)	<u>\$ (811,799)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest expense	<u>\$ (214,832)</u>
Income (loss) before capital contributions, construction grants, and transfers	<u>\$ (1,026,631)</u>
Capital contributions and construction grants	
Federal grants	<u>\$ 311,496</u>
Transfers in	<u>\$ 319,661</u>
Change in net position	<u>\$ (395,474)</u>
Total net position - beginning	13,618,982
Total net position - ending	<u><u>\$ 13,223,508</u></u>

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, 2021

	Enterprise Fund Water and Sewer
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 2,144,629
Payments to suppliers	(959,547)
Payments to employees	(414,396)
Net cash provided by (used for) operating activities	<u>\$ 770,686</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers to other funds	<u>\$ 319,661</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Additions to utility plant	\$ (441,182)
Principal payments on bonds	(475,036)
Contributions in aid of construction	169,393
Interest payments	(343,522)
Net cash provided by (used for) capital and related financing activities	<u>\$ (1,090,347)</u>
Net increase (decrease) in cash and cash equivalents	\$ -
Cash and cash equivalents - beginning	-
Cash and cash equivalents - ending	<u><u>\$ -</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	<u>\$ (811,799)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	\$ 1,515,217
(Increase) decrease in accounts receivable	(29,108)
(Increase) decrease in deferred outflows of resources	(28,692)
Increase (decrease) in accounts payable	87,828
Increase (decrease) in compensated absences	(4,235)
Increase (decrease) in net OPEB liabilities	292
Increase (decrease) in net pension liability	41,455
Increase (decrease) in deferred inflows of resources	(272)
Total adjustments	<u>\$ 1,582,485</u>
Net cash provided by (used for) operating activities	<u><u>\$ 770,686</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, 2021

	Custodial Funds
ASSETS	
Cash and cash equivalents	\$ 82,742
Investments	45,783
Total assets	<u>\$ 128,525</u>
LIABILITIES	
Amounts held for social services clients	\$ -
Total liabilities	<u>\$ -</u>
NET POSITION	
Restricted	\$ 128,525
Total net position	<u><u>\$ 128,525</u></u>

County of Smyth, Virginia
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2021

	<u>Custodial Funds</u>
ADDITIONS	
Contributions:	
Expenditure reimbursements	\$ 49,349
Miscellaneous	807
Total contributions	<u>\$ 50,156</u>
DEDUCTIONS	
Checks for SS & SSI Recipients	\$ 2,202
Special Welfare	42,029
Total deductions	<u>\$ 44,231</u>
Net increase (decrease) in fiduciary net position	\$ 5,925
Total net position - beginning, as restated	122,600
Total net position - ending	<u><u>\$ 128,525</u></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, 2021

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. 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 organizations are appointed by the respective governing bodies of the participating jurisdictions. For the year ended June 30, 2021, the County contributed \$195,982 to the Community Services Board and \$182,880 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, 2021, the County contributed \$40,211 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, 2021, The County paid fees in the amount of \$2,946,739 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.

Custodial 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 when they have been earned and 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 principal and interest expenditures on general long-term debt, 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 custodial fund includes the Special Welfare Fund.

The School Board reports the following major fund types:

The *School Operating Fund* is the primary operating fund of the School Board and accounts for and reports all revenues and expenditures applicable to the general operations of the public school system. Revenues are derived primarily from appropriations from the County and state and federal grants.

The *School Activity Fund* accounts for and reports all funds received from extracurricular school activities, such as entertainment, athletic contests, club dues, fundraisers, etc., and from any and all activities of the individual schools.

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

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are other charges between the government's 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.

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

Cash and cash equivalents include cash on hand, amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government. For purposes of the statement of cash flows, the government's proprietary funds consider their demand deposits and all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

2. Investments

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit, other nonparticipating investments, and external investment pools are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year end.

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 \$1,028,187 at June 30, 2021. The allowance consists of delinquent taxes in the amount of \$715,138 and delinquent water and sewer bills of \$313,049.

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. 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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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

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:

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

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 Balance

The County evaluated its funds at June 30, 2021 and classified fund balance into the following five categories:

- Nonspendable -amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund).
- Restricted -amounts that can be spent only for the specific purposes stipulated by external resource providers such as grantors or enabling federal, state, or local legislation. Restrictions may be changed or lifted only with the consent of the resource providers.
- Committed -amounts that can be used only for specific purposes determined by the adoption of an ordinance committing fund balance for a specific purpose by the Board of Supervisors prior to the end of the fiscal year. Once adopted, the limitation imposed by the ordinance remains in place until the resources have been spent for the specified purpose or the Board adopts another ordinance to remove or revise the limitation.
- Assigned -amounts a government intends to use for a specific purpose but do not meet the criteria to be classified as committed; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. 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.
- Unassigned -amounts that are available for any purpose; positive amounts are only reported in the general fund. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned.

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.

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

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

12. Net Position

For government-wide reporting as well as in proprietary funds, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, notes, and other debt that are attributable 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 included in this component of net position.
- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

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.

13. 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.

14. 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.

15. 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.

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

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

16. 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.

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.

17. Other Postemployment Employee Benefits (OPEB)

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

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.
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.
7. 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, 2021, several departments in the general fund exceeded appropriations.

C. Deficit fund balance

At June 30, 2021, no funds reported negative fund balance.

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 that has received at least two of the following rates: P-1 by Moody’s Investors Service Inc.; A-1 by Standard and Poor’s; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), banker’s acceptances, repurchase agreements, and the State Treasurer’s Local Government Investment Pool (LGIP).

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.

Investments Maturities (in years)				
Investment Type	Fair Value	<1 Year	1-5 Years	
Certificates of Deposit	\$ 2,879,836	\$ -	\$ 2,879,836	
Money Market	865,530	865,530	-	
Total	\$ 3,745,366	\$ 865,530	\$ 2,879,836	

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021**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	\$ 699,172	\$ -
<u>Commonwealth of Virginia:</u>		
Local sales tax	498,913	-
Categorical aid-State sales tax	-	428,912
Categorical aid-Other	334,304	526,120
Non-categorical aid	121,707	-
Categorical aid-Virginia Public Assistance	141,574	-
Categorical aid-Comprehensive Services Act	309,370	-
<u>Federal Government:</u>		
Categorical aid-Virginia Public Assistance	225,049	-
Categorical aid-Other	27,621	1,817,941
Totals	<u>\$ 2,357,710</u>	<u>\$ 2,772,973</u>

Note 5-Component-Unit Contributions and Obligations:

Primary government contributions to component units for the year ended June 30, 2021, consisted of payments to the School Board, Library, and EDA of \$8,137,390, \$660,000, and \$300,000, respectively.

Fund	Due to Primary Government/ Component Unit	Due from Primary Government/ Component Unit
<u>Primary Government:</u>		
General Fund	\$ 1,922,414	\$ 146,213
<u>Component Unit:</u>		
School Board	\$ -	\$ 1,922,414
EDA	146,213	-
Totals	<u>\$ 2,068,627</u>	<u>\$ 2,068,627</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021**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.

Fund	Transfers In	Transfers Out
General Fund	\$ 319,661	\$ -
Water and Sewer Fund	-	319,661
Total	<u>\$ 319,661</u>	<u>\$ 319,661</u>

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, 2021.

	Beginning Balance	Increases/ Issuances	Decreases/ Retirements	Ending Balance
General Obligation Bonds	\$ 27,748,481	\$ -	\$ (919,935)	\$ 26,828,546
Unamortized Premiums	2,138,879	-	(396,043)	1,742,836
School Construction Bonds	7,975,154	-	(893,677)	7,081,477
Capital Leases	1,938,000	-	(347,000)	1,591,000
Landfill closure/post-closure liability	332,387	12,192	-	344,579
Compensated absences	1,027,094	920,103	(770,321)	1,176,876
Net OPEB liabilities	2,086,437	419,030	(310,287)	2,195,180
Net pension liability	4,099,743	3,654,426	(2,335,249)	5,418,920
Total	<u>\$ 47,346,175</u>	<u>\$ 5,005,751</u>	<u>\$ (5,972,512)</u>	<u>\$ 46,379,414</u>

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 7-Long-Term Obligations: (Continued)

Primary Government - Governmental Activities Obligations: (Continued)

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

Year Ending June 30,	Direct Borrowings and Placements	
	Principal	Interest
2022	\$ 1,835,560	\$ 1,114,276
2023	2,255,717	1,059,680
2024	2,345,895	975,775
2025	2,741,082	879,717
2026	2,848,677	771,056
2027-2031	16,023,385	2,161,703
2032-2036	5,859,707	322,466
Totals	<u>\$ 33,910,023</u>	<u>\$ 7,284,673</u>

COUNTY OF SMYTH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

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	4.100-5.600%	11/10/2004	2024	\$ 117,994	\$ 28,546	\$ 6,883
General Obligation bond series 2011A	2.000-5.000%	12/5/2011	2032	26,985,000	470,000	470,000
General Obligation bond series 2014C	2.050-5.050%	11/20/2014	2036	10,970,000	8,775,000	215,000
General Obligation bond series 2017	2.000-5.000%	4/26/2017	2032	17,980,000	17,555,000	115,000
Total General Obligation Bonds					\$ 26,828,546	\$ 806,883
<u>Bond Premiums:</u>						
Unamortized premium on issuance	n/a	n/a	n/a	n/a	\$ 2,501	\$ 2,501
Unamortized premium on issuance	n/a	n/a	n/a	n/a	395,460	101,041
Unamortized premium on issuance	n/a	n/a	n/a	n/a	1,500	418
Unamortized premium on issuance	n/a	n/a	n/a	n/a	1,343,375	280,545
Total bond premiums					\$ 1,742,836	\$ 384,505
<u>School Construction QSCB Bonds:</u>						
School construction	0.000%	10/31/2012	2034	2,170,893	\$ 5,700,000	\$ 930,000
School construction	0.000%	12/15/2011	2031	9,500,000	1,381,477	98,677
Total School Construction Bonds					\$ 7,081,477	\$ 1,028,677
<u>Other Long-term Obligations:</u>						
Capital leases					\$ 1,591,000	\$ 354,000
Landfill closure/post-closure liability					344,579	-
Compensated absences					1,176,876	882,657
Net pension liability					5,418,920	-
Net OPEB liabilities					2,195,180	-
Total Other Long-term Obligations					\$ 10,726,555	\$ 1,236,657
Total Long-term Obligations					\$ 46,379,414	\$ 3,456,722

The locality's general obligation and QSCB bonds are subject to the state aid intercept program. Under terms of the program, the County's aid is redirected to bondholders to cure event(s) of default.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021**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, 2021.

	Beginning Balance	Increases/ Issuances	Decreases/ Retirements	Ending Balance
Direct Borrowings and Placements:				
GO Bonds	\$ 3,851,670	\$ -	\$ (74,962)	\$ 3,776,708
Revenue Bonds	5,665,187	-	(400,074)	5,265,113
Unamortized Premiums	631,136	-	(118,643)	512,493
Compensated absences	28,650	17,253	(21,488)	24,415
Net OPEB liabilities	80,886	14,514	(14,222)	81,178
Net pension liability	158,936	133,211	(91,756)	200,391
Total	<u>\$ 10,416,465</u>	<u>\$ 164,978</u>	<u>\$ (721,145)</u>	<u>\$ 9,860,298</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,	Direct Borrowings and Placements	
	Principal	Interest
2022	\$ 500,988	\$ 317,988
2023	524,487	295,756
2024	541,953	272,663
2025	564,720	248,371
2026	592,459	223,702
2027-2031	2,779,094	751,978
2032-2036	1,272,125	414,587
2037-2041	671,185	259,708
2042-2046	668,731	154,278
2047-2051	416,648	77,727
2052-2056	357,679	35,781
2057-2061	151,752	3,343
Totals	<u>\$ 9,041,821</u>	<u>\$ 3,055,882</u>

COUNTY OF SMYTH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 7-Long-Term Obligations: (Continued)

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

Details of long-term obligations:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Business-type Activities	Amount Due Within One Year
Direct Borrowings and Placements:						
GO Bonds:						
Rural Development GO Bond	3.250%	2/14/2005	2045	\$ 1,500,000	\$ 1,131,586	\$ 32,757
Rural Development GO Bond	4.000%	2/11/2010	2049	123,500	102,182	2,064
Rural Development GO Bond	2.750%	2/11/2010	2049	121,500	100,753	2,506
Rural Development GO Bond	4.500%	2/13/2009	2048	500,000	433,705	8,184
Rural Development GO Bond	2.125%	6/21/2018	2058	2,044,000	2,008,482	35,159
Subtotal GO Bonds					<u>\$ 3,776,708</u>	<u>\$ 80,670</u>
Revenue Bonds:						
VRA Revenue Bond	2.500%	10/17/2001	2032	113,300	\$ 61,221	\$ 4,900
VRA Revenue Bond	0.000%	3/5/2004	2034	503,049	224,692	16,768
VRA Revenue Bond	0.000%	11/26/2008	2029	473,000	189,200	23,650
VRA Revenue Bond	3.779-5.125%	5/25/2016	2016	6,420,000	4,790,000	375,000
Unamortized premium on issuance	n/a	n/a	n/a	n/a	512,493	105,562
Subtotal Revenue Bonds					<u>\$ 5,777,606</u>	<u>\$ 525,880</u>
Other Obligations:						
Compensated absences	n/a	n/a	n/a	n/a	\$ 24,415	\$ 18,311
Net OPEB liabilities	n/a	n/a	n/a	n/a	81,178	-
Net pension liability	n/a	n/a	n/a	n/a	200,391	-
Total Other Obligations					<u>\$ 305,984</u>	<u>\$ 18,311</u>
Total Long-term Obligations					<u>\$ 9,860,298</u>	<u>\$ 624,861</u>

In the event of default, the lender of the VRA Revenue Bonds may declare the entire unpaid principal and interest on the issuances as due and payable. The locality's general obligation bonds are subject to the state aid intercept program. Under terms of the program, the County's aid is redirected to bondholders to cure event(s) of default.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021**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, 2021.

	Beginning Balance	Increases	Decreases	Ending Balance
Net OPEB liabilities	\$ 9,453,837	\$ 2,087,402	\$ (1,516,292)	\$ 10,024,947
Compensated absences	530,425	379,869	(397,819)	512,475
Net pension liability	36,984,191	15,775,122	(11,993,216)	40,766,097
Total	\$ 46,968,453	\$ 18,242,393	\$ (13,907,327)	\$ 51,303,519

Details of long-term obligations:

	Component Unit School Board	Amount Due Within One Year
<u>Other long-term obligations:</u>		
Net OPEB liabilities	\$ 10,024,947	\$ -
Compensated absences	512,475	384,356
Net pension liability	40,766,097	-
Total long-term obligations	<u>\$ 51,303,519</u>	<u>\$ 384,356</u>

The net pension liability, net OPEB liabilities, 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, 2021**Note 9-Capital Leases:****Primary Government:**

The County entered into lease agreements for the acquisition of an HVAC system, a solid waste truck, a roll-off truck, and a boiler. As of June 30, 2021, the boiler had yet to be purchased.

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

Asset:	Truck	HVAC	Roll-off Truck
Equipment	\$ 137,086	\$ 1,700,000	\$ 144,500
Less: Accumulated Depreciation	(124,692)	(277,589)	(21,101)
Net	<u>\$ 12,394</u>	<u>\$ 1,422,411</u>	<u>\$ 123,399</u>

The future minimum lease obligation and the net present value of the minimum lease payments as of June 30, 2021, are as follows:

Year Ending June 30,	Capital Leases
2022	\$ 385,624
2023	386,017
2024	387,068
2025	98,564
2026	98,428
2027-2031	<u>357,152</u>
Sub-total	\$ 1,712,853
Less, amount representing interest	<u>(121,853)</u>
Present Value of Lease Agreements	<u>\$ 1,591,000</u>

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Note 10-Pension Plan:

Plan Description

All full-time, salaried permanent employees of the County, Smyth County Library ('Component Unit'), 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. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

Benefit Structures

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

- a. Employees with a membership date before July 1, 2020, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.
- b. Employees with a membership date from July 1, 2010 to December 31, 2013, that have not taken a refund or employees with a membership date prior to July 1, 2010 and not vested before January 1, 2013, are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age plus service credit equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.

Note 10-Pension Plan: (Continued)

Benefit Structures (Continued)

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

Average Final Compensation and Service Retirement Multiplier

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total service credit. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.70% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.70% or 1.85% for hazardous duty employees as elected by the employer. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.70% or 1.85% for hazardous duty employees as elected by the employer. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021**Note 10-Pension Plan: (Continued)*****Employees Covered by Benefit Terms***

As of the June 30, 2019 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Primary Government and Library	Component Unit School Board Nonprofessional
Inactive members or their beneficiaries currently receiving benefits	172	114
Inactive members:		
Vested inactive members	27	14
Non-vested inactive members	36	32
Inactive members active elsewhere in VRS	94	24
Total inactive members	157	70
Active members	189	115
Total covered employees	518	299

Contributions

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

The County's and Component Unit's contractually required employer contribution rate for the year ended June 30, 2021 was 8.91% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

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 \$671,344 and \$589,434 for the years ended June 30, 2021 and June 30, 2020, respectively. Contributions to the pension plan from the Component Unit Library were \$27,257 and \$28,090 for the years ended June 30, 2021 and June 30, 2020, respectively.

The Component Unit School Board's contractually required employer contribution rate for nonprofessional employees for the year ended June 30, 2021 was 9.06% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

Note 10-Pension Plan: (Continued)

Contributions (Continued)

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board's nonprofessional employees were \$176,132 and \$188,862 for the years ended June 30, 2021 and June 30, 2020, respectively.

Net Pension Liability

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. The County's and Component Unit School Board's (nonprofessional) net pension liabilities were measured as of June 30, 2020. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 10-Pension Plan: (Continued)

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the County's and Component Unit School Board's (nonprofessional) Retirement Plan was based on an actuarial valuation as of June 30, 2019, 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, 2020.

Inflation	2.50%
Salary increases, including inflation	3.50% - 5.35%
Investment rate of return	6.75%, 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 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of pension liabilities.

Mortality rates:

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

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

Post-Retirement:

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

Post-Disablement:

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021**Note 10-Pension Plan: (Continued)*****Actuarial Assumptions - General Employees (Continued)***

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the County's Retirement Plan was based on an actuarial valuation as of June 30, 2019, 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, 2020.

Inflation	2.50%
Salary increases, including inflation	3.50% - 4.75%
Investment rate of return	6.75%, 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 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of pension liabilities.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 10-Pension Plan: (Continued)

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

Mortality rates:

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.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021**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)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
Total	<u>100.00%</u>		<u>4.64%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.14%</u>

* The above allocation provides a one-year return of 7.14%. 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 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021**Note 10-Pension Plan: (Continued)****Discount Rate**

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the County and Component Unit School Board (nonprofessional) was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2020, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater. Through the fiscal year ended June 30, 2020, the rate contributed by the school division for the VRS Teacher Retirement Plan was subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2020 on, participating employers and school divisions are assumed to continue 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.

Changes in Net Pension Liability

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2019	\$ 43,924,586	\$ 39,665,907	\$ 4,258,679
Changes for the year:			
Service cost	\$ 785,923	\$ -	\$ 785,923
Interest	2,922,240	-	2,922,240
Differences between expected and actual experience	(709,981)	-	(709,981)
Impact in change in proportion	482,352	435,586	46,766
Contributions - employer	-	590,795	(590,795)
Contributions - employee	-	362,025	(362,025)
Net investment income	-	758,805	(758,805)
Benefit payments, including refunds	(2,229,007)	(2,229,007)	-
Administrative expenses	-	(26,417)	26,417
Other changes	-	(892)	892
Net changes	\$ 1,251,527	\$ (109,105)	\$ 1,360,632
Balances at June 30, 2020	\$ 45,176,113	\$ 39,556,802	\$ 5,619,311

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021**Note 10-Pension Plan: (Continued)*****Changes in Net Pension Liability (Continued)***

	Component Unit Library		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2019	\$ 2,598,525	\$ 2,346,584	\$ 251,941
Changes for the year:			
Service cost	\$ 37,453	\$ -	\$ 37,453
Interest	139,258	-	139,258
Differences between expected and actual experience	(33,834)	-	(33,834)
Impact in change in proportion	(482,352)	(435,586)	(46,766)
Contributions - employer	-	28,154	(28,154)
Contributions - employee	-	17,252	(17,252)
Net investment income	-	36,161	(36,161)
Benefit payments, including refunds	(106,223)	(106,223)	-
Administrative expenses	-	(1,259)	1,259
Other changes	-	(42)	42
Net changes	\$ (445,698)	\$ (461,543)	\$ 15,845
Balances at June 30, 2020	\$ 2,152,827	\$ 1,885,041	\$ 267,786

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021**Note 10-Pension Plan: (Continued)****Changes in Net Pension Liability (Continued)**

	Component Unit School Board (Nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2019	\$ 13,494,094	\$ 12,232,949	\$ 1,261,145
Changes for the year:			
Service cost	\$ 209,582	\$ -	\$ 209,582
Interest	878,230	-	878,230
Differences between expected and actual experience	138,019	-	138,019
Contributions - employer	-	188,850	(188,850)
Contributions - employee	-	98,906	(98,906)
Net investment income	-	228,720	(228,720)
Benefit payments, including refunds	(966,562)	(966,562)	-
Administrative expenses	-	(8,216)	8,216
Other changes	-	(266)	266
Net changes	\$ 259,269	\$ (458,568)	\$ 717,837
Balances at June 30, 2020	\$ 13,753,363	\$ 11,774,381	\$ 1,978,982

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

The following presents net pension liability of the County, Component Unit Library, and Component Unit School Board (nonprofessional) using the discount rate of 6.75%, as well as what the County's, Component Unit Library's, and 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 (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
County - Primary Government Net Pension Liability (Asset)	\$ 11,257,936	\$ 5,619,311	\$ 918,960
Component Unit Library Net Pension Liability (Asset)	\$ 536,493	\$ 267,786	\$ 43,793
Component Unit School Board (Nonprofessional) Net Pension Liability (Asset)	\$ 3,371,844	\$ 1,978,982	\$ 792,359

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021**Note 10-Pension Plan: (Continued)*****Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

For the year ended June 30, 2021, the County, Component Unit Library, and Component Unit School Board (nonprofessional) recognized pension expense of \$1,119,722, \$23,593, and \$293,787, respectively. At June 30, 2021, the County, Component Unit Library, and Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government		Component Unit Library		Component Unit School Board (Nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 32,423	\$ 489,568	\$ 1,918	\$ 23,588	\$ 80,750	\$ 92,901
Change in assumptions	407,165	-	24,088	-	66,285	-
Net difference between projected and actual earnings on pension plan investments	1,185,488	-	51,769	-	353,404	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	38,594	-	-	38,594	-	-
Employer contributions subsequent to the measurement date	671,344	-	27,257	-	176,132	-
Total	<u>\$ 2,335,014</u>	<u>\$ 489,568</u>	<u>\$ 105,032</u>	<u>\$ 62,182</u>	<u>\$ 676,571</u>	<u>\$ 92,901</u>

\$671,344, \$27,257, and \$176,132 reported as deferred outflows of resources related to pensions resulting from the County's, Component Unit Library's, and 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year Ended June 30	Primary Government	Component Unit Library	Component Unit School Board (Nonprofessional)
2022	\$ 226,743	\$ (2,119)	\$ 33,847
2023	150,344	(8,292)	136,089
2024	416,203	7,859	122,842
2025	380,812	18,145	114,760

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-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)

Component Unit School Board (Professional)

Plan Description

All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Retirement Plan upon employment. This is a cost-sharing multiple employer plan administered by the Virginia Retirement System (the system). Additional information related to the plan description is included in the first section of this note.

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding 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, 2021 was 16.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. 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 \$3,746,068 and \$3,545,251 for the years ended June 30, 2021 and June 30, 2020, respectively.

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

At June 30, 2021, the school division reported a liability of \$38,787,115 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2020 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. 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, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the school division's proportion was 0.26650% as compared to 0.27144% at June 30, 2019.

For the year ended June 30, 2021, the school division recognized pension expense of \$3,162,359. 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, 2021**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)***

At June 30, 2021, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 2,273,523
Change in assumptions	2,647,707	-
Net difference between projected and actual earnings on pension plan investments	2,950,190	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	2,126,889
Employer contributions subsequent to the measurement date	3,746,068	-
Total	\$ 9,343,965	\$ 4,400,412

\$3,746,068 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, 2021. 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>	
2022	\$ (830,634)
2023	388,437
2024	902,026
2025	810,026
2026	(72,370)

Note 10-Pension Plan: (Continued)

Component Unit School Board (Professional) (Continued)

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2018, 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, 2019.

Inflation	2.50%
Salary increases, including inflation	3.50% - 5.95%
Investment rate of return	6.75%, 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 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of pension liabilities.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021**Note 10-Pension Plan: (Continued)****Component Unit School Board (Professional) (Continued)*****Actuarial Assumptions (Continued)***

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action 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
Discount Rate	Decreased rate from 7.00% to 6.75%

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, 2019, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

	Teacher Employee Retirement Plan
Total Pension Liability	\$ 51,001,855
Plan Fiduciary Net Position	36,449,229
Employers' Net Pension Liability (Asset)	\$ <u>14,552,626</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.47%

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021**Note 10-Pension Plan: (Continued)****Component Unit School Board (Professional) (Continued)*****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 6.75%, 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 (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset)	\$ 56,909,408	\$ 38,787,115	\$ 23,797,687

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Primary Government and Component Units**Aggregate Pension Information**

	Primary Government				Component Unit Library				Component Unit School Board			
	Deferred Outflows	Deferred Inflows	Net Pension Liability (Asset)	Pension Expense	Deferred Outflows	Deferred Inflows	Net Pension Liability (Asset)	Pension Expense	Deferred Outflows	Deferred Inflows	Net Pension Liability (Asset)	Pension Expense
VRS Pension Plans:												
Primary Government	\$ 2,335,014	489,568	5,619,311	1,119,722	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Component Unit Library	-	-	-	-	105,032	62,182	267,786	23,593	-	-	-	-
School Board Nonprofessional	-	-	-	-	-	-	-	-	676,571	92,901	1,978,982	293,787
School Board Professional	-	-	-	-	-	-	-	-	9,343,965	4,400,412	38,787,115	3,162,359
Totals	\$ 2,335,014	\$ 489,568	\$ 5,619,311	\$ 1,119,722	\$ 105,032	\$ 62,182	\$ 267,786	\$ 23,593	\$ 10,020,536	\$ 4,493,313	\$ 40,766,097	\$ 3,456,146

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021**Note 11-Other Postemployment Benefits-Health Insurance:**

In addition to the pension benefits described in Note 10, the County and Component Unit School Board administer a 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, Library, 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, 2020 (measurement date), the following employees were covered by the benefit terms:

	Primary Government and Library	Component Unit- School Board
Total active employees with coverage	188	617
Total retirees with coverage	3	16
Total	<u>191</u>	<u>633</u>

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, Component Unit Library, and Component Unit School Board for OPEB as the benefits came due during the year ended June 30, 2021 was \$39,135, \$1,865, and \$197,000, respectively.

Total OPEB Liability

The County's and School Board's total OPEB liability was measured as of July 1, 2020. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

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

Actuarial Assumptions

The total OPEB liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Primary Government and Component Unit Library:

Inflation	2.50%
Healthcare Cost Trend Rates	0.00% for fiscal year end 2021 (to reflect actual experience), then 6.50% for fiscal year end 2022, decreasing 0.25% per year to an ultimate rate of 5.00%
Salary Increases	2.50%
Discount Rate	2.45%

Mortality rates use RP-2014 Mortality Table, fully generated with base year 2006, using two-dimensional improvement scale MP-2020.

Component Unit School Board:

Inflation	2.50%
Healthcare Cost Trend Rates	0.00% for fiscal year end 2021 (to reflect actual experience), then 6.50% for fiscal year end 2022, decreasing 0.25% per year to an ultimate rate of 5.00%
Salary Increases	2.50%
Discount Rate	2.45%

Mortality rates use RP-2014 Mortality Table, fully generated with base year 2006, using two-dimensional improvement scale MP-2020.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021**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 2.45% 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

	Primary Government	Component Unit Library	Component Unit School Board
Balances at June 30, 2020	\$ 1,564,448	\$ 92,552	\$ 3,899,000
Changes for the year:			
Service cost	69,680	3,320	158,000
Interest	51,544	2,456	124,000
Difference between expected and actual experience	(122,178)	(5,822)	7,000
Changes in assumptions	119,314	5,686	234,000
Contributions - employer	(39,135)	(1,865)	(197,000)
Change in proportionate share	17,178	(17,178)	-
Net changes	96,403	(13,403)	326,000
Balances at June 30, 2021	\$ 1,660,851	\$ 79,149	\$ 4,225,000

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

The following amounts present the total OPEB liability of the County and Component Unit-Library, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.45%) or one percentage point higher (3.45%) than the current discount rate:

	Rate		
	1% Decrease 1.45%	Current Discount 2.45%	1% Increase 3.45%
County	\$ 1,850,799	\$ 1,660,851	\$ 1,489,993
Component Unit Library	\$ 88,201	\$ 79,149	\$ 71,007
Component Unit School Board	\$ 4,581,000	\$ 4,225,000	\$ 3,890,000

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021**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, Component Unit Library, and Component Unit 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:

	Rate		
	1% Decrease (1.00%)	Current Discount 0.00%	1% Increase 1.00%
County	\$ 1,446,086	\$ 1,660,851	\$ 1,915,706
Component Unit Library	\$ 68,914	\$ 79,149	\$ 91,294
Component Unit School Board	\$ 3,749,000	\$ 4,225,000	\$ 4,780,000

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

For the year ended June 30, 2021, the County, Component Unit Library, and Component Unit School Board recognized OPEB expense in the amount of \$114,542, \$5,459, and \$123,000, respectively. At June 30, 2021, the County, Component Unit Library, and Component Unit-School Board, reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Primary Government		Component Unit-Library		Component Unit-School Board	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 227,174	\$ -	\$ 10,826	\$ 6,000	\$ 760,000
Changes in assumptions	175,630	-	8,370	-	316,000	60,000
Employer contributions subsequent to the measurement date	39,135	-	1,865	-	197,000	-
Total	\$ 214,765	\$ 227,174	\$ 10,235	\$ 10,826	\$ 519,000	\$ 820,000

\$39,135, \$1,865, and \$197,000 was reported as deferred outflows of resources related to OPEB resulting from the County, Component Unit-Library, and Component Unit-School Board, respectively, contributions subsequent to the measurement date will be recognized as reduction of the Total OPEB liability in the fiscal year ended June 30, 2022.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021**Note 11-Other Postemployment Benefits-Health Insurance: (Continued)*****OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources
(Continued)***

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

Year Ended June 30:	Primary Government	Component Unit-Library	Component Unit- School Board
2022	\$ (13,363)	\$ (637)	\$ (166,000)
2023	(13,363)	(637)	(166,000)
2024	(15,272)	(728)	(166,000)
2025	(13,363)	(637)	(49,000)
2026	954	46	30,000
Thereafter	2,863	137	19,000

Additional disclosures on changes in total 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) Plan (OPEB Plan):***Plan Description***

The Group Life Insurance (GLI) Plan was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS GLI Plan upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic GLI benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional GLI Plan. 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 plan, it is not included as part of the GLI Plan OPEB.

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

Eligible Employees

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

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

Benefit Amounts

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the plan provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of service credit, the minimum benefit payable was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,616 as of June 30, 2021.

Contributions

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% ($1.34\% \times 60\%$) and the employer component was 0.54% ($1.31\% \times 40\%$). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2021 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. 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 Plan from the County were \$42,613 and \$39,219 for the years ended June 30, 2021 and June 30, 2020, respectively.

Contributions to the Group Life Insurance Plan from the Component Unit Library were \$1,730 and \$1,869 for the years ended June 30, 2021 and June 30, 2020, respectively.

Contributions to the Group Life Insurance Plan from the Component Unit School Board (Nonprofessional) were \$11,256 and \$10,997 for the years ended June 30, 2021 and June 30, 2020, respectively.

Contributions to the Group Life Insurance Plan from the Component Unit-School Board (Professional) were \$124,890 and \$119,608 for the years ended June 30, 2021 and June 30, 2020, respectively.

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

Primary Government GLI Program

At June 30, 2021, the entity reported a liability of \$615,507 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2020 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. 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 Plan for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the County's proportion was 0.03684% as compared to 0.03705% at June 30, 2019.

For the year ended June 30, 2021, the County recognized GLI OPEB expense of \$17,363. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

Component Unit Library GLI Program

At June 30, 2021, the entity reported a liability of \$29,332 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2020 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. 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 Plan for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the Component Unit Library's proportion was 0.00176% as compared to 0.00219% at June 30, 2019.

For the year ended June 30, 2021, the Component Unit Library recognized GLI OPEB expense of \$828. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

Component Unit School Board (Nonprofessional) GLI Program

At June 30, 2021, the Component Unit-School Board (Nonprofessional) reported a liability of \$171,389 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2020 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. 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 Plan for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the Component Unit-School Board (non-professional) proportion was 0.01030% as compared to 0.01091% at June 30, 2019.

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

Component Unit School Board (Nonprofessional) GLI Program (Continued)

For the year ended June 30, 2021, the Component-Unit School Board (Nonprofessional) recognized GLI OPEB expense of \$1,180. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

Component Unit School Board (Professional) GLI Program

At June 30, 2021, the Component Unit-School Board (Professional) reported a liability of \$1,865,592 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2020 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. 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, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the Component Unit-School Board (professional) proportion was 0.11180% as compared to 0.11514% at June 30, 2019.

For the year ended June 30, 2021, the Component Unit School Board (Professional) recognized GLI OPEB expense of \$36,269. 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.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021**Note 12- Group Life Insurance (GLI) Plan (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 Plan OPEB (Continued)***

At June 30, 2021, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Primary Government		Component Unit Library	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 39,479	\$ 5,527	\$ 1,881	\$ 263
Net difference between projected and actual earnings on GLI OPEB plan investments	18,489	-	881	-
Change in assumptions	30,782	12,852	1,467	613
Changes in proportionate share	-	23,497	-	1,120
Employer contributions subsequent to the measurement date	42,613	-	1,730	-
Total	<u>\$ 131,363</u>	<u>\$ 41,876</u>	<u>\$ 5,959</u>	<u>\$ 1,996</u>

	Component Unit School Board (Nonprofessional)		Component Unit School Board (Professional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 10,993	\$ 1,538	\$ 119,661	\$ 16,756
Net difference between projected and actual earnings on GLI OPEB plan investments	5,148	-	56,041	-
Change in assumptions	8,571	3,579	93,301	38,955
Changes in proportionate share	-	22,092	-	135,985
Employer contributions subsequent to the measurement date	11,256	-	124,890	-
Total	<u>\$ 35,968</u>	<u>\$ 27,209</u>	<u>\$ 393,893</u>	<u>\$ 191,696</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021**Note 12- Group Life Insurance (GLI) Plan (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 Plan OPEB (Continued)***

\$42,613, \$1,730, \$11,256, and \$124,890 reported as deferred outflows of resources related to the GLI OPEB resulting from the County, Component Unit Library, Component Unit School Board (nonprofessional), and Component Unit School Board (professional)'s, 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, 2022. Other amounts recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30	Primary Government	Component Unit Library	Component Unit School Board (Nonprofessional)	Component Unit School Board (Professional)
2022	\$ 3,162	\$ 151	\$ (2,775)	\$ (6,774)
2023	8,384	399	(1,321)	9,052
2024	14,801	705	501	28,686
2025	17,244	822	2,002	42,106
2026	3,253	155	(641)	5,054
Thereafter	30	1	(263)	(817)

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

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2019, 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, 2020. The assumptions include several employer groups as noted below. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS Annual Report.

Inflation	2.50%
Salary increases, including inflation:	
Teachers	3.50%-5.95%
Locality - General employees	3.50%-5.35%
Locality - Hazardous Duty employees	3.50%-4.75%
Investment rate of return	6.75%, 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 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% 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 12- Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)**Actuarial Assumptions (Continued)****Mortality Rates - Teachers (Continued)**

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action 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
Discount Rate	Decreased rate from 7.00% to 6.75%

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) Plan (OPEB Plan): (Continued)**Actuarial Assumptions (Continued)****Mortality Rates - Non-Largest Ten Locality Employers - General Employees (Continued)**

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action 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 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

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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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021**Note 12- Group Life Insurance (GLI) Plan (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, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action 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 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

NET GLI OPEB Liability

The net OPEB liability (NOL) for the Group Life Insurance Plan represents the plan's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2019, NOL amounts for the Group Life Insurance Plan is as follows (amounts expressed in thousands):

	GLI OPEB Plan
Total GLI OPEB Liability	\$ 3,523,937
Plan Fiduciary Net Position	1,855,102
GLI Net OPEB Liability (Asset)	<u>\$ 1,668,835</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	52.64%

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021**Note 12- Group Life Insurance (GLI) Plan (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)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
Total	100.00%		4.64%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.14%

*The above allocation provides a one-year return of 7.14%. 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 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021**Note 12- Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)****Discount Rate**

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2020, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2020 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

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

The following presents the employer's proportionate share of the net GLI OPEB liability using the discount rate of 6.75%, 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 (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Proportional share of the GLI Plan Net OPEB Liability:			
Primary Government	\$ 809,130	\$ 615,507	\$ 458,266
Component Unit Library	\$ 38,560	\$ 29,332	\$ 21,839
Component Unit School Board (Nonprofessional)	\$ 225,305	\$ 171,389	\$ 127,605
Component Unit School Board (Professional)	\$ 2,452,464	\$ 1,865,592	\$ 1,388,997

Group Life Insurance Plan Fiduciary Net Position

Detailed information about the Group Life Insurance Plan's Fiduciary Net Position is available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-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) Plan (OPEB Plan):

Plan Description

The Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit (HIC) Plan was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Employee HIC Plan. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The HIC is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

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

Eligible Employees

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

Benefit Amounts

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

HIC Plan Notes

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

Note 13-Teacher Employee Health Insurance Credit (HIC) Plan (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, 2021 was 1.21% of covered employee compensation for employees in the VRS Teacher Employee HIC Plan. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the school division to the VRS Teacher Employee HIC Plan were \$278,037 and \$275,617 for the years ended June 30, 2021 and June 30, 2020, respectively.

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

At June 30, 2021, the school division reported a liability of \$3,414,442 for its proportionate share of the VRS Teacher Employee Health Insurance Credit Program Net OPEB Liability. The Net VRS Teacher Employee HIC OPEB Liability was measured as of June 30, 2020 and the total VRS Teacher Employee HIC OPEB liability used to calculate the Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was determined by an actuarial valuation performed as of June 30, 2019 and rolled forward to the measurement date of June 30, 2020. The school division's proportion of the Net VRS Teacher Employee HIC OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee HIC OPEB plan for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the school division's proportion of the VRS Teacher Employee Health Insurance Credit was 0.26170% as compared to 0.26764% at June 30, 2019.

For the year ended June 30, 2021, the school division recognized VRS Teacher Employee HIC OPEB expense of \$222,874. Since there was a change in proportionate share between measurement dates a portion of the VRS Teacher Employee HIC Net OPEB expense was related to deferred amounts from changes in proportion.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021**Note 13-Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)*****Teacher Employee HIC OPEB Liabilities, Teacher Employee HIC OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee HIC Plan OPEB (Continued)***

At June 30, 2021, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee HIC OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 45,598
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	15,131	-
Change in assumptions	67,499	18,656
Change in proportionate share	-	282,166
Employer contributions subsequent to the measurement date	<u>278,037</u>	<u>-</u>
Total	\$ <u>360,667</u>	\$ <u>346,420</u>

\$278,037 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, 2022. 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>	
2022	\$ (56,747)
2023	(55,247)
2024	(55,750)
2025	(46,848)
2026	(27,337)
Thereafter	(21,861)

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

Actuarial Assumptions

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee HIC Plan was based on an actuarial valuation as of June 30, 2019, 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, 2020.

Inflation	2.50%
Salary increases, including inflation	3.50% - 5.35%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation*

*Administrative expenses as a percent of the fair 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 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of OPEB liabilities.

Mortality Rates - Teachers

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021**Note 13-Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)****Actuarial Assumptions (Continued)****Mortality Rates - Teachers: (Continued)**

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action 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
Discount Rate	Decreased rate from 7.00% to 6.75%

Net Teacher Employee HIC OPEB Liability

The net OPEB liability (NOL) for the Teacher Employee HIC Plan represents the plan's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2020, NOL amounts for the VRS Teacher Employee HIC Plan is as follows (amounts expressed in thousands):

	Teacher Employee HIC OPEB Plan
Total Teacher Employee HIC OPEB Liability	\$ 1,448,676
Plan Fiduciary Net Position	144,160
Teacher Employee Net HIC OPEB Liability (Asset)	<u>\$ 1,304,516</u>
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability	9.95%

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021**Note 13-Teacher Employee Health Insurance Credit (HIC) Plan (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)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.14%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
Total	100.00%		4.64%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.14%

*The above allocation provides a one-year return of 7.14%. 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 7.11%, including expected inflation of 2.50%. On October 10, 2019 the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021**Note 13-Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)*****Discount Rate***

The discount rate used to measure the total Teacher Employee HIC OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2020, the rate contributed by each school division for the VRS Teacher Employee HIC Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2020 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee HIC OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total Teacher Employee HIC OPEB liability.

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

The following presents the school division's proportionate share of the VRS Teacher Employee HIC Plan net HIC OPEB liability using the discount rate of 6.75%, 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 (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan Net HIC OPEB Liability	\$ 3,822,112	\$ 3,414,442	\$ 3,067,952

Teacher Employee HIC OPEB Fiduciary Net Position

Detailed information about the VRS Teacher Employee HIC Plan's Fiduciary Net Position is available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 14—Health Insurance Credit (HIC) Plan (OPEB Plan):

Plan Description

The Political Subdivision Health Insurance Credit (HIC) Plan was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent employees of participating political subdivisions are automatically covered by the VRS Political Subdivision HIC Plan upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The HIC is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

The specific information about the Political Subdivision HIC Plan OPEB, including eligibility, coverage and benefits is described below:

Eligible Employees

The Political Subdivision Retiree HIC Plan was established July 1, 1993 for retired political subdivision employees of employers who elect the benefit and retire with at least 15 years of service credit. Eligible employees include full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan. These employees are enrolled automatically upon employment.

Benefit Amounts

The Political Subdivision Retiree HIC Plan is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired political subdivision employees of participating employers. For employees who retire, the monthly benefit is \$1.50 per year of service per month with a maximum benefit of \$45.00 per month. For employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is \$45.00 per month.

HIC Plan Notes

The monthly HIC benefit cannot exceed the individual premium amount. There is no HIC for premiums paid and qualified under LODA; however, the employee may receive the credit for premiums paid for other qualified health plans. Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the HIC as a retiree.

Note 14—Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)***Employees Covered by Benefit Terms***

As of the June 30, 2019 actuarial valuation, the following employees were covered by the benefit terms of the HIC OPEB plan:

	<u>Number</u>
Active members	<u>115</u>
Total covered employees	<u><u>115</u></u>

Contributions

The contribution requirements for active employees is governed by §51.1-1402(E) 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. The Component Unit School Board's contractually required employer contribution rate for the year ended June 30, 2021 was 1.21% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. 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 Component Unit School Board to the HIC Plan were \$25,130 and \$0 for the years ended June 30, 2021 and June 30, 2020, respectively.

Net HIC OPEB Liability

The Component Unit School Board's net HIC OPEB liability was measured as of June 30, 2020. The total HIC OPEB liability was determined by an actuarial valuation performed as of June 30, 2019, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

Actuarial Assumptions

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2019, 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, 2020.

Inflation	2.50%
Salary increases, including inflation:	
Locality - General employees	3.50%-5.35%
Investment rate of return	6.75%, net of investment expenses, including inflation*

*Administrative expenses as a percent of the fair 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 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of the OPEB liabilities.

Note 14—Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

RP-2014 Disability Life Mortality Table 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, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action 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 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Note 14—Health Insurance Credit (HIC) Plan (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)	Long-term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
Total	<u>100.00%</u>		<u>4.64%</u>
		Inflation	<u>2.50%</u>
		Expected arithmetic nominal return*	<u>7.14%</u>

*The above allocation provides a one-year return of 7.14%. 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 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021**Note 14—Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)****Discount Rate**

The discount rate used to measure the total HIC OPEB liability was 6.75%. 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 at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2020, the rate contributed by the entity for the HIC OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2020 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the HIC 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 HIC OPEB liability.

Changes in Net HIC OPEB Liability

	Increase (Decrease)		
	Total HIC OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (Asset) (a) - (b)
Balances at June 30, 2019	\$ -	\$ -	\$ -
Changes for the year:			
Benefit payments	\$ 348,524	\$ -	\$ 348,524
Net changes	\$ 348,524	\$ -	\$ 348,524
Balances at June 30, 2020	\$ 348,524	\$ -	\$ 348,524

Sensitivity of the Component Unit School Board's HIC Net OPEB Liability to Changes in the Discount Rate

The following presents the Component Unit School Board's HIC Plan net HIC OPEB liability using the discount rate of 6.75%, as well as what the Component Unit School Board's net HIC OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Component Unit School Board Net HIC OPEB Liability	\$ 382,216	\$ 348,524	\$ 319,325

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021**Note 14—Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)*****HIC Plan OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to HIC Plan OPEB***

For the year ended June 30, 2021, the Component Unit School Board recognized HIC Plan OPEB expense of \$348,524. At June 30, 2021, the Component Unit School Board reported deferred outflows of resources and deferred inflows of resources related to the Component Unit School Board's HIC Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions subsequent to the measurement date	\$ 25,130	\$ -
Total	\$ 25,130	\$ -

HIC Plan OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to HIC Plan OPEB: (Continued)

\$25,130 reported as deferred outflows of resources related to the HIC OPEB resulting from the Component Unit School Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the fiscal year ending June 30, 2022.

HIC Plan Data

Information about the VRS Political Subdivision HIC Plan is available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 15—Aggregate OPEB Information:

	Primary Government				Component Unit Library				Component Unit School Board			
	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense
VRS OPEB Plans:												
Group Life Insurance Program:												
County	\$ 131,363	41,876	615,507	17,363	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Component Units	-	-	-	-	5,959	1,996	29,332	828	-	-	-	-
School Board Nonprofessional	-	-	-	-	-	-	-	-	35,968	27,209	171,389	1,180
School Board Professional	-	-	-	-	-	-	-	-	393,893	191,696	1,865,592	36,269
Health Insurance Credit Program:												
School Board	-	-	-	-	-	-	-	-	25,130	-	348,524	348,524
Teacher Health Insurance Credit Program	-	-	-	-	-	-	-	-	360,667	346,420	3,414,442	222,874
County Stand-Alone Plan	214,765	227,174	1,660,851	114,542	10,235	10,826	79,149	5,459	-	-	-	-
School Stand-Alone Plan	-	-	-	-	-	-	-	-	519,000	820,000	4,225,000	123,000
Totals	\$ 346,128	\$ 269,050	\$ 2,276,358	\$ 131,905	\$ 16,194	\$ 12,822	\$ 108,481	\$ 6,287	\$ 1,334,658	\$ 1,385,325	\$ 10,024,947	\$ 731,847

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021**Note 16-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 and deferred revenue are comprised of the following:

	Government-wide Statements	Balance Sheet
	<u>Governmental Activities</u>	<u>Governmental Funds</u>
Unavailable property tax revenue representing uncollected property tax billings that are not available for the funding of current expenditures	-	2,764,094
Tax assessments due after June 30	21,867,600	21,867,600
Prepaid property taxes due after June 30 but paid in advance by taxpayers	328,196	328,196
Total	\$ <u>22,195,796</u>	\$ <u>24,959,890</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021**Note 17-Capital Assets:**

Capital asset activity for the year ended June 30, 2021 was as follows:

Primary Government:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 682,440	\$ -	\$ -	\$ 682,440
Capital assets, being depreciated:				
Buildings and improvements	\$ 71,223,809	\$ 331,021	\$ -	\$ 71,554,830
Machinery and equipment	11,187,990	1,724,662	(139,476)	12,773,176
Infrastructure	56,660	-	-	56,660
Total capital assets being depreciated	\$ 82,468,459	\$ 2,055,683	\$ (139,476)	\$ 84,384,666
Accumulated depreciation:				
Buildings and improvements	\$ (28,281,960)	\$ (1,591,922)	\$ -	\$ (29,873,882)
Machinery and equipment	(8,504,458)	(766,461)	139,476	(9,131,443)
Infrastructure	(28,061)	(1,705)	-	(29,766)
Total accumulated depreciation	\$ (36,814,479)	\$ (2,360,088)	\$ 139,476	\$ (39,035,091)
Total capital assets being depreciated, net	\$ 45,653,980	\$ (304,405)	\$ -	\$ 45,349,575
Governmental activities capital assets, net	\$ 46,336,420	\$ (304,405)	\$ -	\$ 46,032,015

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021**Note 17-Capital Assets: (Continued)**

Primary Government: (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 44,831	\$ -	\$ -	\$ 44,831
Construction in progress	110,342	413,228	-	523,570
Total capital assets not being depreciated	<u>\$ 155,173</u>	<u>\$ 413,228</u>	<u>\$ -</u>	<u>\$ 568,401</u>
Capital assets, being depreciated:				
Utility system	\$ 51,935,369	\$ -	\$ -	\$ 51,935,369
Machinery and equipment	720,823	27,954	-	748,777
Total capital assets being depreciated	<u>\$ 52,656,192</u>	<u>\$ 27,954</u>	<u>\$ -</u>	<u>\$ 52,684,146</u>
Accumulated depreciation:				
Utility system	\$ (28,356,243)	\$ (1,490,528)	\$ -	\$ (29,846,771)
Machinery and equipment	(661,984)	(24,689)	-	(686,673)
Total accumulated depreciation	<u>\$ (29,018,227)</u>	<u>\$ (1,515,217)</u>	<u>\$ -</u>	<u>\$ (30,533,444)</u>
Total capital assets being depreciated, net	<u>\$ 23,637,965</u>	<u>\$ (1,487,263)</u>	<u>\$ -</u>	<u>\$ 22,150,702</u>
Business-type activities capital assets, net	<u>\$ 23,793,138</u>	<u>\$ (1,074,035)</u>	<u>\$ -</u>	<u>\$ 22,719,103</u>

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

Governmental activities:	
General government administration	\$ 96,273
Judicial administration	513,381
Public safety	620,992
Public works	166,860
Health and welfare	13,897
Education	923,181
Parks, recreation, and cultural	<u>25,504</u>
Total depreciation expense-governmental activities	<u>\$ 2,360,088</u>
Business-type activities	<u>\$ 1,515,217</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021**Note 17-Capital Assets: (Continued)**

Capital asset activity for the School Board for the year ended June 30, 2021 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	\$ 18,280,879	\$ 375,193	\$ -	\$ 18,656,072
Machinery and equipment	9,675,579	727,794	(564,225)	9,839,148
Total capital assets being depreciated	\$ 27,956,458	\$ 1,102,987	\$ (564,225)	\$ 28,495,220
Accumulated depreciation:				
Buildings and improvements	\$ (13,614,715)	\$ (493,265)	\$ -	\$ (14,107,980)
Machinery and equipment	(7,321,213)	(689,109)	564,225	(7,446,097)
Total accumulated depreciation	\$ (20,935,928)	\$ (1,182,374)	\$ 564,225	\$ (21,554,077)
Total capital assets being depreciated, net	\$ 7,020,530	\$ (79,387)	\$ -	\$ 6,941,143
Component Unit-School Board capital assets, net	\$ 7,864,993	\$ (79,387)	\$ -	\$ 7,785,606

Discretely Presented Component Unit - EDA:

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

Note 18-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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 19-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 20-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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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021**Note 21-Surety Bonds:**

Primary Government:

Fidelity & Deposit Company of Maryland-Surety:		
John Graham, Clerk of the Circuit Court	\$	425,000
Tom Burkett, Treasurer		50,000
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		
Self Insurance Risk Pool		
Public Officials Liability - Limit	\$	2,000,000
Defense Cost Limit		100,000
Virginia Liability Risk Management Program		
Social Services Employees	\$	1,000,000

Component Unit - School Board:

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

Note 22-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. \$344,579 was reported as landfill closure and post-closure care liability at June 30, 2021. This amount is based on what it would cost to perform all closure and post-closure in 2021. 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, 2021

Note 23-Operating Lease:

On December 17, 2019, 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 one year term ending December 2020, at which time the use of the building reverts back to the State. Annual rent for the rental period is \$1 and there are no other annual payments required. All maintenance and repairs are the responsibility of the County.

Note 24-Arbitrage Rebate Compliance:

As of June 30, 2021 and for the year then ended, the County was not liable for any amounts due under current rules governing arbitrage earnings.

Note 25-Commitments and Contingencies:

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.

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 26-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 2021, the County remitted a total of \$213,663 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 2021, the County remitted a total of \$186,039 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.

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 2021, the County remitted a total of \$0 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021**Note 27-Litigation:**

As of June 30, 2021, a claim has been filed against the County in regard to erroneous assessment of taxes for a combined total of \$800,000. The County is vigorously defending itself against the claims and does not believe the payout of same is probable or reasonably estimable as of the date of the report; therefore, no liability has been recognized in the financial statements.

Note 28-Restricted and Committed Funds and Restricted Net Position:

Governmental Activities/Funds:	General Fund	Componet Unit
		School Board
Restricted:		
E-911	\$ 310,231	\$ -
Courthouse construction	187,220	-
Public Safety	248,853	-
Courthouse security	100,088	-
E-summons program	21,241	-
Unspent lease proceeds	721,030	-
Cafeteria Program	-	1,229,969
Total restricted balances	<u>\$ 1,588,663</u>	<u>\$ 1,229,969</u>
Governmental Funds:		
Committed funds:		
Animal Control	\$ 9,386	\$ -
Public Safety	218,134	-
Textbooks	-	1,682,959
School Activity Funds	-	1,271,556
Total committed funds	<u>\$ 227,520</u>	<u>\$ 2,954,515</u>

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Note 29-COVID-19 Pandemic Subsequent Event:

The COVID-19 pandemic and its impact on operations continues to evolve. Specific to the County, COVID-19 impacted various parts of its 2021 operations and financial results including, but not limited to, costs for emergency preparedness and shortages of personnel. Federal relief has been received through various programs. Management believes the County is taking appropriate actions to mitigate the negative impact. The extent to which COVID-19 may impact operations in subsequent years remains uncertain, and management is unable to estimate the effects on future results of operations, financial condition, or liquidity for fiscal year 2022.

CARES Act Funding

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was passed by the federal government to alleviate some of the effects of the sharp economic downturn due to the COVID-19 pandemic, which included direct aid for state and local governments from the federal Coronavirus Relief Fund (CRF).

Each locality received its CRF allocations based on population in two equal payments, with the second and final round of funding being received during fiscal year 2021. The County received total CRF funding of \$4,980,430. In addition, the School Board received CRF funding from the Virginia Department of Education in the amount of \$709,170. As a condition of receiving CRF funds, any funds unexpended as of December 31, 2021 will be returned to the federal government. Unspent CRF funds in the amount of \$0 are reported as unearned revenue as of June 30.

ARPA Funding

On March 11, 2021, the American Rescue Plan (ARPA) Act of 2021 was passed by the federal government. A primary component of the ARPA was the establishment of the Coronavirus State and Local Fiscal Recovery Fund (CSLFRF). Local governments are to receive funds in two tranches, with 50% provided beginning in May 2021 and the balance delivered approximately 12 months later.

On May 21, 2021, the County received its share of the first half of the CSLFRF funds. As a condition of receiving CSLFRF funds, any funds unobligated by December 31, 2024, and unexpended by December 31, 2026, will be returned to the federal government. Unspent funds in the amount of \$2,923,675 from the initial allocation are reported as unearned revenue as of June 30.

ESF Funding

The CARES Act also established the Education Stabilization Fund (ESF) and allocated \$30.75 billion to the U.S. Department of Education. The ESF is composed of three primary emergency relief funds: (1) a Governor's Emergency Education Relief (GEER) Fund, (2) an Elementary and Secondary School Emergency Relief (ESSER) Fund, and (3) a Higher Education Emergency Relief (HEER) Fund. The Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA Act) was signed into law on December 27, 2020 and added \$81.9 billion to the ESF. In March 2021, the American Rescue Plan Act (ARP Act), in support of ongoing state and institutional COVID-19 recovery efforts, added more than \$170 billion to the ESF. The School Board is receiving this funding from the Virginia Department of Education on a reimbursement basis.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021**Note 30-Adoption of Accounting Principle:**

The County implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*, during the fiscal year ended June 30, 2021. This Statement establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purpose and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

	Fund Balance	Net Position	
	Component Unit - School Board	Component Unit - School Board	Custodial Funds
Beginning balance, as previously stated	\$ 2,923,032	\$ (35,360,117)	\$ -
Implementation of GASB 84	1,218,836	1,218,836	122,600
Beginning balance, as restated	<u>\$ 4,141,868</u>	<u>\$ (34,141,281)</u>	<u>\$ 122,600</u>

Note 31-Upcoming Pronouncements:

Statement No. 87, *Leases*, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, provides guidance for reporting 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. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

Statement No. 92, *Omnibus 2020*, addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics such as leases, assets related to pension and postemployment benefits, and reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature. The effective dates differ by topic, ranging from January 2020 to periods beginning after June 15, 2021.

Statement No. 93, *Replacement of Interbank Offered Rates*, establishes accounting and financial reporting requirements related to the replacement of Interbank Offered Rates (IBORs) in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this Statement, except for removal of London Interbank Offered Rate (LIBOR) as an appropriate benchmark interest rate and the requirements related to lease modifications, are effective for reporting periods beginning after June 15, 2020. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All requirements related to lease modifications in this Statement are effective for reporting periods beginning after June 15, 2021.

Note 31-Upcoming Pronouncements: (Continued)

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability of Payment Arrangements*, addresses issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

Statement No. 97, *Certain Component Unit Criteria*, and Accounting and Financial Reporting for Internal Revenue Code (IRC) Section 457 Deferred Compensation Plans - an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement. No 32, (1) increases consistency and comparability related to reporting of fiduciary component units in certain circumstances; (2) mitigates costs associated with the reporting of certain plans as fiduciary component units in fiduciary fund financial statements; and (3) enhances the relevance, consistency, and comparability of the accounting and financial reporting for Section 457 plans that meet the definition of a pension plan and for benefits provided through those plans. The effective dates differ based on the requirements of the Statement, ranging from June 2020 to reporting periods beginning after June 15, 2021.

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, 2021

	Budgeted Amounts				Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts		
REVENUES					
General property taxes	\$ 18,364,382	\$ 18,364,382	\$ 19,619,232	\$	1,254,850
Other local taxes	3,567,241	3,567,241	3,925,346		358,105
Permits, privilege fees, and regulatory licenses	71,813	71,813	61,333		(10,480)
Fines and forfeitures	1,140,385	1,140,385	871,402		(268,983)
Revenue from the use of money and property	313,211	313,211	250,481		(62,730)
Charges for services	1,274,181	1,274,181	1,143,050		(131,131)
Miscellaneous	807,500	955,848	219,628		(736,220)
Recovered costs	883,389	1,127,129	1,245,807		118,678
Intergovernmental	15,635,807	19,505,214	18,083,057		(1,422,157)
Total revenues	\$ 42,057,909	\$ 46,319,404	\$ 45,419,336	\$	(900,068)
EXPENDITURES					
Current:					
General government administration	\$ 3,888,516	\$ 3,928,344	\$ 3,022,938	\$	905,406
Judicial administration	2,118,279	2,091,747	1,908,480		183,267
Public safety	13,352,865	12,953,206	11,024,808		1,928,398
Public works	2,303,311	2,768,480	2,647,229		121,251
Health and welfare	7,642,001	9,125,577	8,753,992		371,585
Education	8,208,035	8,208,035	8,209,775		(1,740)
Parks, recreation, and cultural:	738,346	738,346	731,111		7,235
Community development:	763,255	3,078,800	2,506,328		572,472
Capital projects	940,000	940,000	-		940,000
Debt service					
Principal retirement	4,733,500	4,733,500	2,160,612		2,572,888
Interest and other fiscal charges	3,659,843	3,659,843	1,670,540		1,989,303
Total expenditures	\$ 48,347,951	\$ 52,225,878	\$ 42,635,813	\$	9,590,065
Excess (deficiency) of revenues over (under) expenditures					
	\$ (6,290,042)	\$ (5,906,474)	\$ 2,783,523	\$	8,689,997
OTHER FINANCING SOURCES (USES)					
Transfers out	\$ 2,000	\$ 2,000	\$ (319,661)	\$	(321,661)
Issuance of capital lease	5,700,000	5,700,000	-		(5,700,000)
Total other financing sources (uses)	\$ 5,702,000	\$ 5,702,000	\$ (319,661)	\$	(6,021,661)
Net change in fund balances					
	\$ (588,042)	\$ (204,474)	\$ 2,463,862	\$	2,668,336
Fund balances - beginning	588,042	204,474	13,151,946		12,947,472
Fund balances - ending	\$ -	\$ -	\$ 15,615,808	\$	15,615,808

Note 1: GAAP serves as the budgetary basis of accounting

County of Smyth, Virginia
Schedule of Changes in Net Pension Liability and Related Ratios
Primary Government
Pension Plans

For the Measurement Dates of June 30, 2014 through June 30, 2020

	2020	2019	2018	2017	2016	2015	2014
Total pension liability							
Service cost	\$ 785,923	\$ 747,402	\$ 728,015	\$ 747,608	\$ 751,868	\$ 752,948	\$ 745,432
Interest	2,922,240	2,807,088	2,722,028	2,734,891	2,679,557	2,587,924	2,483,851
Changes in benefit terms	-	-	-	28,506	-	-	-
Differences between expected and actual experience	(709,981)	98,593	(364,407)	(1,406,952)	(1,311,424)	(350,079)	-
Impact in change of proportion	482,352	167,660	(101,517)	547,126	209,852	-	-
Changes of assumptions	-	1,238,114	-	(275,572)	-	-	-
Benefit payments	(2,229,007)	(2,135,703)	(1,940,594)	(1,880,848)	(1,872,458)	(1,910,763)	(1,541,442)
Net change in total pension liability	\$ 1,251,527	\$ 2,923,154	\$ 1,043,525	\$ 494,759	\$ 457,395	\$ 1,080,030	\$ 1,687,841
Total pension liability - beginning	43,924,586	41,001,432	39,957,907	39,463,148	39,005,753	37,925,723	36,237,882
Total pension liability - ending (a)	\$ 45,176,113	\$ 43,924,586	\$ 41,001,432	\$ 39,957,907	\$ 39,463,148	\$ 39,005,753	\$ 37,925,723
Plan fiduciary net position							
Impact in change of proportion	\$ 435,586	\$ 156,307	\$ (92,886)	\$ 456,481	\$ 176,742	\$ -	\$ -
Contributions - employer	590,795	572,706	698,076	692,122	888,989	884,699	897,039
Contributions - employee	362,025	350,100	344,780	364,136	341,581	340,522	348,858
Net investment income	758,805	2,524,778	2,680,609	4,030,826	559,765	1,453,396	4,402,828
Benefit payments	(2,229,007)	(2,135,703)	(1,940,594)	(1,880,848)	(1,872,458)	(1,910,763)	(1,541,442)
Administrator charges	(26,417)	(25,581)	(23,414)	(23,611)	(20,658)	(20,297)	(23,762)
Other	(892)	(1,583)	(2,372)	(3,573)	(241)	(306)	1,204
Net change in plan fiduciary net position	\$ (109,105)	\$ 1,441,024	\$ 1,664,199	\$ 3,635,533	\$ 73,720	\$ 747,251	\$ 4,084,725
Plan fiduciary net position - beginning	39,665,907	38,224,883	36,560,684	32,925,151	32,851,431	32,104,180	28,019,455
Plan fiduciary net position - ending (b)	\$ 39,556,802	\$ 39,665,907	\$ 38,224,883	\$ 36,560,684	\$ 32,925,151	\$ 32,851,431	\$ 32,104,180
County's net pension liability (asset) - ending (a) - (b)	\$ 5,619,311	\$ 4,258,679	\$ 2,776,549	\$ 3,397,223	\$ 6,537,997	\$ 6,154,322	\$ 5,821,543
Plan fiduciary net position as a percentage of the total pension liability	87.56%	90.30%	93.23%	91.50%	83.43%	84.22%	84.65%
Covered payroll	\$ 7,601,747	\$ 7,234,586	\$ 6,922,774	\$ 6,922,002	\$ 6,875,983	\$ 6,849,722	\$ 6,840,025
County's net pension liability (asset) as a percentage of covered payroll	73.92%	58.87%	40.11%	49.08%	95.08%	89.85%	85.11%

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-Library

Pension Plans

For the Measurement Dates of June 30, 2014 through June 30, 2020

	2020	2019	2018	2017	2016	2015	2014
Total pension liability							
Service cost	\$ 37,453	\$ 44,216	\$ 46,222	\$ 45,446	\$ 56,763	\$ 61,200	\$ 60,615
Interest	139,258	166,065	172,823	166,250	202,295	210,349	200,731
Changes in benefit terms	-	-	-	1,733	-	-	-
Differences between expected and actual experience	(33,834)	5,834	(23,136)	(85,527)	(99,007)	(28,455)	-
Impact in change of proportion	(482,352)	(167,660)	101,517	(547,126)	(209,852)	-	-
Changes of assumptions	-	73,246	-	(16,752)	-	-	-
Benefit payments	(106,223)	(126,347)	(123,209)	(114,334)	(141,363)	(155,309)	(126,532)
Net change in total pension liability	\$ (445,698)	\$ (4,646)	\$ 174,217	\$ (550,310)	\$ (191,164)	\$ 87,785	\$ 134,814
Total pension liability - beginning	2,598,525	2,603,171	2,428,954	2,979,264	3,170,428	3,082,643	2,946,679
Total pension liability - ending (a)	2,152,827	2,598,525	2,603,171	2,428,954	2,979,264	3,170,428	3,081,493
Plan fiduciary net position							
Impact in change of proportion	\$ (435,586)	\$ (156,306)	\$ 92,886	\$ (456,481)	\$ (176,742)	\$ -	\$ -
Contributions - employer	28,154	33,881	44,321	42,073	67,115	71,909	72,943
Contributions - employee	17,252	20,712	21,890	22,135	25,785	27,678	28,367
Net investment income	36,161	149,364	170,193	245,028	42,260	118,131	358,015
Benefit payments	(106,223)	(126,347)	(123,209)	(114,334)	(141,363)	(155,309)	(125,342)
Administrator charges	(1,259)	(1,513)	(1,485)	(1,435)	(1,560)	(1,650)	(1,932)
Other	(42)	(94)	(151)	(217)	(18)	(25)	(988)
Net change in plan fiduciary net position	\$ (461,543)	\$ (80,303)	\$ 204,445	\$ (263,231)	\$ (184,523)	\$ 60,734	\$ 331,063
Plan fiduciary net position - beginning	2,346,584	2,426,887	2,222,442	2,485,673	2,670,196	2,609,462	2,278,399
Plan fiduciary net position - ending (b)	1,885,041	2,346,584	2,426,887	2,222,442	2,485,673	2,670,196	2,609,462
Component Unit Library's net pension liability (asset) - ending (a) - (b)	\$ 267,786	\$ 251,941	\$ 176,284	\$ 206,512	\$ 493,591	\$ 500,232	\$ 472,031
Plan fiduciary net position as a percentage of the total pension liability	87.56%	90.30%	93.23%	91.50%	83.43%	84.22%	84.68%
Covered payroll	\$ 362,367	\$ 459,327	\$ 488,528	\$ 427,372	\$ 531,258	\$ 567,731	\$ 555,966
Component Unit Library's net pension liability (asset) as a percentage of covered payroll	73.90%	54.85%	36.08%	48.32%	92.91%	88.11%	84.90%

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)

Pension Plans For the Measurement Dates of June 30, 2014 through June 30, 2020						
	2020	2019	2018	2017	2016	2015
Total pension liability						
Service cost	\$ 209,582	\$ 210,020	\$ 223,289	\$ 235,070	\$ 250,631	\$ 266,352
Interest	878,230	903,484	887,093	877,621	869,360	858,200
Differences between expected and actual experience	138,019	(450,217)	(95,917)	(191,498)	(191,576)	(206,989)
Changes of assumptions	-	321,229	-	(2,989)	-	-
Benefit payments	(966,562)	(794,669)	(765,955)	(799,816)	(820,987)	(695,293)
Net change in total pension liability	\$ 259,269	\$ 189,847	\$ 248,510	\$ 118,388	\$ 107,428	\$ 222,270
Total pension liability - beginning	13,494,094	13,304,247	13,055,737	12,937,349	12,829,921	12,607,651
Total pension liability - ending (a)	\$ 13,753,363	\$ 13,494,094	\$ 13,304,247	\$ 13,055,737	\$ 12,937,349	\$ 12,829,921
Plan fiduciary net position						
Contributions - employer	\$ 188,850	\$ 192,386	\$ 208,894	\$ 211,195	\$ 249,040	\$ 261,267
Contributions - employee	98,906	100,364	103,259	116,397	108,352	114,873
Net investment income	228,720	779,231	845,637	1,284,634	184,071	491,896
Benefit payments	(966,562)	(794,669)	(765,955)	(799,816)	(820,987)	(695,293)
Administrator charges	(8,216)	(8,064)	(7,525)	(7,718)	(7,019)	(6,949)
Other	(266)	(488)	(743)	(1,132)	(79)	(103)
Net change in plan fiduciary net position	\$ (458,568)	\$ 268,760	\$ 383,567	\$ 803,560	\$ (286,622)	\$ 165,691
Plan fiduciary net position - beginning	12,232,949	11,964,189	11,580,622	10,777,062	11,063,684	10,897,993
Plan fiduciary net position - ending (b)	\$ 11,774,381	\$ 12,232,949	\$ 11,964,189	\$ 11,580,622	\$ 10,777,062	\$ 11,063,684
School Division's net pension liability - ending (a) - (b)	\$ 1,978,982	\$ 1,261,145	\$ 1,340,058	\$ 1,475,115	\$ 2,160,287	\$ 1,766,237
Plan fiduciary net position as a percentage of the total pension liability	85.61%	90.65%	89.93%	88.70%	83.30%	86.23%
Covered payroll	\$ 2,106,689	\$ 2,116,635	\$ 2,156,076	\$ 2,163,422	\$ 2,208,654	\$ 2,297,419
School Division's net pension liability as a percentage of covered payroll	93.94%	59.58%	62.15%	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's Share of Net Pension Liability (Asset) VRS Teacher Retirement Plan
Pension Plans

For the Measurement Dates of June 30, 2014 through June 30, 2020

	2020	2019	2018	2017	2016	2015	2014
Employer's Proportion of the Net Pension Liability (Asset)	0.26650%	0.27144%	0.27854%	0.28721%	0.29649%	0.30972%	0.32331%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 38,787,115	\$ 35,723,046	\$ 32,756,000	\$ 35,321,000	\$ 41,550,000	\$ 38,983,000	\$ 39,071,000
Employer's Covered Payroll	22,988,670	22,434,009	22,285,300	22,470,905	22,605,674	23,023,786	23,643,816
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered Payroll	168.72%	159.24%	146.98%	157.19%	183.80%	169.32%	165.25%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.51%	73.51%	74.81%	72.92%	68.28%	70.68%	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 Employer Contributions
Pension Plans
For the Years Ended June 30, 2012 through June 30, 2021

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						
2021	\$	671,344	\$ 671,344	- \$	7,884,466	8.51%
2020		589,434	589,434	-	7,601,747	7.75%
2019		573,323	573,323	-	7,234,586	7.92%
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 Library						
2021	\$	27,257	\$ 27,257	- \$	320,118	8.51%
2020		28,090	28,090	-	362,367	7.75%
2019		33,917	33,917	-	459,327	7.38%
2018		44,065	44,065	-	488,528	9.02%
2017		49,913	49,913	-	427,337	11.68%
2016		67,319	67,319	-	531,326	12.67%
2015		71,942	71,942	-	567,814	12.67%
2014		67,434	67,434	-	555,966	12.13%
Component Unit School Board (nonprofessional)						
2021	\$	176,132	\$ 176,132	- \$	2,076,828	8.48%
2020		188,862	188,862	-	2,106,689	8.96%
2019		192,187	192,187	-	2,116,635	9.08%
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%
Component Unit School Board (professional)						
2021	\$	3,746,068	\$ 3,746,068	- \$	22,956,780	16.32%
2020		3,545,251	3,545,251	-	22,988,670	15.42%
2019		3,475,866	3,475,866	-	22,434,009	15.49%
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%

Schedule is intended to show information for 10 years. Prior to 2014, 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 or Component Unit Library. 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, 2021

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 actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality Rates (pre-retirement, post-retirement)	Updated to a more current mortality table - RP-2014
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 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

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 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

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
Discount Rate	Decreased rate from 7.00% to 6.75%

County of Smyth, Virginia
Schedule of Changes in Total OPEB Liability and Related Ratios
Primary Government
Healthcare OPEB Plan
For the Years Ended June 30, 2018 through June 30, 2021

	2021	2020	2019	2018
Total OPEB liability				
Service cost	\$ 69,680	\$ 66,090	\$ 68,642	\$ 66,924
Interest	51,544	56,648	53,597	50,901
Changes in assumptions	119,314	82,141	37,612	-
Differences between expected and actual experience	(122,178)	(131,236)	(65,821)	-
Contributions	(39,135)	(33,045)	(34,792)	(16,967)
Change in proportionate share	17,178	6,206	(3,567)	-
Net change in total OPEB liability	\$ 96,403	\$ 46,804	\$ 55,671	\$ 100,858
Total OPEB liability - beginning	1,564,448	1,517,644	1,461,973	1,361,115
Total OPEB liability - ending	\$ 1,660,851	\$ 1,564,448	\$ 1,517,644	\$ 1,461,973
 Covered-employee payroll	 \$ 6,919,265	 \$ 7,328,453	 \$ 7,298,609	 \$ 6,832,907
 Primary Government's total OPEB liability (asset) as a percentage of covered-employee payroll	 24.00%	 21.35%	 20.79%	 21.40%

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 and Related Ratios
Component Unit Library
Healthcare OPEB Plan
For the Years Ended June 30, 2018 through June 30, 2021

	2021	2020	2019	2018
Total OPEB liability				
Service cost	\$ 3,320	\$ 3,910	\$ 4,358	\$ 4,075
Interest	2,456	3,352	3,403	3,100
Changes in assumptions	5,686	4,859	2,388	-
Differences between expected and actual experience	(5,822)	(7,764)	(4,179)	-
Contributions	(1,865)	(1,955)	(2,209)	(1,033)
Change in proportionate share	(17,178)	(6,206)	3,567	-
Net change in total OPEB liability	\$ (13,403)	\$ (3,804)	\$ 7,328	\$ 6,142
Total OPEB liability - beginning	92,552	96,356	89,028	82,886
Total OPEB liability - ending	\$ 79,149	\$ 92,552	\$ 96,356	\$ 89,028
 Covered-employee payroll	 \$ 329,743	 \$ 433,547	 \$ 463,391	 \$ 416,093
 Component Unit Library's total OPEB liability (asset) as a percentage of covered-employee payroll	 24.00%	 21.35%	 20.79%	 21.40%

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 and Related Ratios
Component Unit School Board
Healthcare OPEB Plan
For the Years Ended June 30, 2018 through June 30, 2021

	2021	2020	2019	2018
Total OPEB liability				
Service cost	\$ 158,000	\$ 149,000	\$ 186,000	\$ 181,000
Interest	124,000	143,000	184,000	182,000
Changes in assumptions	234,000	172,000	(111,000)	-
Differences between expected and actual experience	7,000	(239,000)	(1,123,000)	-
Contributions	(197,000)	(265,000)	(336,000)	(299,000)
Net change in total OPEB liability	\$ 326,000	\$ (40,000)	\$ (1,200,000)	\$ 64,000
Total OPEB liability - beginning	3,899,000	3,939,000	5,139,000	5,075,000
Total OPEB liability - ending	\$ 4,225,000	\$ 3,899,000	\$ 3,939,000	\$ 5,139,000
 Covered-employee payroll	 \$ 24,402,000	 \$ 23,787,000	 \$ 23,787,000	 \$ 24,003,000
 School's total OPEB liability (asset) as a percentage of covered-employee payroll	 17.31%	 16.39%	 16.56%	 21.41%

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, 2021

Valuation Date: 7/1/2020
Measurement Date: 7/1/2020

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:

County and Component Unit-Library:

Actuarial Cost Method	Entry age normal level % of salary
Discount Rate	2.45%
Inflation	2.50% per year
Healthcare Trend Rate	0.00% for fiscal year end 2021 (to reflect actual experience), then 6.50% for fiscal year end 2022, decreased 0.25% 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 Mortality Table, fully generational with base year 2006, projected using two-dimensional improvement scale MP-2020

Component Unit-School Board:

Actuarial Cost Method	Entry age normal level % of salary
Discount Rate	2.45%
Inflation	2.50% per year
Healthcare Trend Rate	0.00% for fiscal year end 2021 (to reflect actual experience), then 6.50% for fiscal year end 2022, decreased 0.25% 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 Mortality Table, fully generational with base year 2006, projected using two-dimensional improvement scale MP-2020

County of Smyth, Virginia
Schedule of Employer's Share of Net OPEB Liability
Group Life Insurance (GLI) Plan
For the Measurement Dates of June 30, 2017 through June 30, 2020

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					
2020	0.03684%	\$ 615,507	\$ 7,590,104	8.11%	52.64%
2019	0.03705%	602,875	7,239,182	8.33%	52.00%
2018	0.03726%	566,061	6,922,774	8.18%	51.22%
2017	0.03793%	571,215	6,922,002	8.25%	48.86%
Component Unit Library					
2020	0.00176%	\$ 29,332	\$ 361,712	8.11%	52.64%
2019	0.00219%	35,665	459,618	7.76%	52.00%
2018	0.00237%	35,939	488,528	7.36%	51.22%
2017	0.00231%	34,724	427,337	8.13%	48.86%
Component Unit School Board (Non-Professional)					
2020	0.01030%	\$ 171,389	\$ 2,116,831	8.10%	52.64%
2019	0.01091%	177,535	2,136,181	8.31%	52.00%
2018	0.01147%	174,000	2,156,076	8.07%	51.22%
2017	0.01214%	182,000	2,163,422	8.41%	48.86%
Component Unit School Board (Professional)					
2020	0.11180%	\$ 1,865,592	\$ 23,028,428	8.10%	52.64%
2019	0.11514%	1,873,634	22,563,997	8.30%	52.00%
2018	0.11732%	1,782,000	22,285,300	8.00%	51.22%
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 (GLI) Plan
For the Years Ended June 30, 2017 through June 30, 2021

<u>Date</u>	<u>Contractually Required Contribution (1)</u>	<u>Contributions in Relation to Contractually Required Contribution (2)</u>	<u>Contribution Deficiency (Excess) (3)</u>	<u>Employer's Covered Payroll (4)</u>	<u>Contributions as a % of Covered Payroll (5)</u>
Primary Government					
2021	\$ 42,613	\$ 42,613	\$ -	\$ 7,890,797	0.54%
2020	39,219	39,219	-	7,590,104	0.52%
2019	37,799	37,799	-	7,239,182	0.52%
2018	36,841	36,841	-	6,922,774	0.53%
2017	36,388	36,388	-	6,922,002	0.53%
Component Unit Library					
2021	\$ 1,730	\$ 1,730	\$ -	\$ 320,375	0.54%
2020	1,869	1,869	-	361,712	0.52%
2019	2,236	2,236	-	459,618	0.49%
2018	2,339	2,339	-	488,528	0.48%
2017	2,212	2,212	-	427,337	0.52%
Component Unit School Board (Nonprofessional)					
2021	\$ 11,256	\$ 11,256	\$ -	\$ 2,084,505	0.54%
2020	10,997	10,997	-	2,116,831	0.52%
2019	11,108	11,108	-	2,136,181	0.52%
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)					
2021	\$ 124,890	\$ 124,890	\$ -	\$ 23,105,946	0.54%
2020	119,608	119,608	-	23,028,428	0.52%
2019	117,333	117,333	-	22,563,997	0.52%
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 (GLI) Plan
For the Year Ended June 30, 2021

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 actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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
Discount Rate	Decreased rate from 7.00% to 6.75%

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 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

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 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

County of Smyth, Virginia
Schedule of School Board's Share of Net OPEB Liability
Teacher Employee Health Insurance Credit (HIC) Plan
For the Measurement Dates of June 30, 2017 through June 30, 2020

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)
2020	0.26170%	\$ 3,414,442	\$ 22,988,670	14.85%	9.95%
2019	0.26764%	3,503,668	22,434,009	15.62%	8.97%
2018	0.27565%	3,500,000	22,285,300	15.71%	8.08%
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 Employee Health Insurance Credit (HIC) Plan
For the Years Ended June 30, 2017 through June 30, 2021

		Contributions in Relation to				Contributions as a % of	
		Contractually Required Contribution	Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Covered Payroll	
Date		(1)	(2)	(3)	(4)	(5)	
Component Unit-School Board (Professional)							
2021	\$	278,037	\$ 278,037	\$ -	\$ 22,956,780		1.21%
2020		275,617	275,617	-	22,988,670		1.20%
2019		269,208	269,208	-	22,434,009		1.20%
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 Employee Health Insurance Credit (HIC) Plan
For the Year Ended June 30, 2021

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 actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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
Discount Rate	Decreased rate from 7.00% to 6.75%

County of Smyth, Virginia
Schedule of Changes in the Component Unit School Board's Net OPEB Liability and Related Ratios
Health Insurance Credit (HIC) Plan
For the Measurement Date of June 30, 2020

	<u>2020</u>
Total HIC OPEB Liability	
Changes in benefit terms	\$ 348,524
Net change in total HIC OPEB liability	\$ 348,524
Total HIC OPEB Liability - beginning	-
Total HIC OPEB Liability - ending (a)	<u>\$ 348,524</u>
Component Unit School Board's net HIC OPEB liability - ending (a) - (b)	\$ 348,524
Plan fiduciary net position as a percentage of the total HIC OPEB liability	-
Covered payroll	\$ -
Component Unit School Board's net HIC OPEB liability as a percentage of covered payroll	-

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

County of Smyth, Virginia
Schedule of Employer Contributions
Health Insurance Credit (HIC) Plan
For the Year Ending June 30, 2021

Date	Contributions in Relation to			Contributions	
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	as a % of Covered Payroll (5)
2021	\$ 25,130	\$ 25,130	\$ -	\$ 2,076,828	1.21%

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

County of Smyth, Virginia
Notes to Required Supplementary Information
Health Insurance Credit (HIC) Plan
For the Year Ended June 30, 2021

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 actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement)	Updated to a more current mortality table - RP-2014
Retirement Rates	Lowered retirement rates at older ages and extended final
Withdrawal Rates	Adjusted termination rates to better fit experience at each
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Other Supplementary Information

County of Smyth, Virginia
Combining Statement of Net Position
Proprietary Funds
June 30, 2021

	Water Fund	Sewer Fund	Total
ASSETS			
Current assets:			
Accounts receivable, net of allowance for uncollectibles	\$ 252,160	\$ 147,767	\$ 399,927
Due from other governmental units	89,598	52,505	142,103
Internal balances	91,197	(91,197)	-
Total current assets	\$ 432,955	\$ 109,075	\$ 542,030
Noncurrent assets:			
Capital assets:			
Land	\$ 28,267	\$ 16,564	\$ 44,831
Utility plant in service	32,746,076	19,189,293	51,935,369
Machinery and equipment	472,116	276,661	748,777
Construction in progress	330,119	193,451	523,570
Accumulated depreciation	(19,251,822)	(11,281,622)	(30,533,444)
Total capital assets	\$ 14,324,756	\$ 8,394,347	\$ 22,719,103
Total noncurrent assets	\$ 14,324,756	\$ 8,394,347	\$ 22,719,103
Total assets	\$ 14,757,711	\$ 8,503,422	\$ 23,261,133
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	\$ 52,902	\$ 31,001	\$ 83,903
OPEB related items	7,750	4,542	12,292
Total deferred outflows of resources	\$ 60,652	\$ 35,543	\$ 96,195
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 118,019	\$ 69,159	\$ 187,178
Customers' deposits	1,207	707	1,914
Accrued interest payable	36,316	21,282	57,598
Compensated absences - current portion	11,545	6,766	18,311
Bonds payable - current portion	382,439	224,111	606,550
Total current liabilities	\$ 549,526	\$ 322,025	\$ 871,551
Noncurrent liabilities:			
Compensated absences - net of current portion	\$ 3,849	\$ 2,255	\$ 6,104
Bonds payable - net of current portion	5,641,707	3,306,057	8,947,764
Net OPEB liabilities	51,184	29,994	81,178
Net pension liability	126,350	74,041	200,391
Total noncurrent liabilities	\$ 5,823,090	\$ 3,412,347	\$ 9,235,437
Total liabilities	\$ 6,372,616	\$ 3,734,372	\$ 10,106,988
DEFERRED INFLOWS OF RESOURCES			
Pension related items	\$ 10,869	\$ 6,369	\$ 17,238
OPEB related items	6,049	3,545	9,594
Total deferred inflows of resources	\$ 16,918	\$ 9,914	\$ 26,832
NET POSITION			
Net investment in capital assets	\$ 8,300,609	\$ 4,864,180	\$ 13,164,789
Unrestricted (deficit)	128,220	(69,501)	58,719
Total net position	\$ 8,428,829	\$ 4,794,679	\$ 13,223,508

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, 2021

	Water Fund	Sewer Fund	Total
OPERATING REVENUES			
Charges for services:			
Water revenues	\$ 1,339,072	\$ -	\$ 1,339,072
Sewer revenues	-	784,700	784,700
Connection fees	12,626	7,399	20,025
Penalties	7,621	4,466	12,087
Service charges	8,359	4,898	13,257
Application fees	2,569	1,506	4,075
Miscellaneous	328	193	521
Total operating revenues	<u>\$ 1,370,575</u>	<u>\$ 803,162</u>	<u>\$ 2,173,737</u>
OPERATING EXPENSES			
Personnel services	\$ 266,673	\$ 156,271	\$ 422,944
Water purchases	266,884	156,395	423,279
Water and wastewater service	252,611	148,031	400,642
Automotive expenses	14,299	8,380	22,679
Office supplies	14,059	8,238	22,297
Uniforms	1,777	1,042	2,819
Utilities	33,727	19,764	53,491
Permits	7,158	4,195	11,353
Postage	839	492	1,331
Telephone	3,759	2,203	5,962
Maintenance supplies	34,137	20,004	54,141
Repair and maintenance	26,587	15,580	42,167
Miscellaneous	4,549	2,665	7,214
Depreciation	955,368	559,849	1,515,217
Total operating expenses	<u>\$ 1,882,427</u>	<u>\$ 1,103,109</u>	<u>\$ 2,985,536</u>
Operating income (loss)	<u>\$ (511,852)</u>	<u>\$ (299,947)</u>	<u>\$ (811,799)</u>
NONOPERATING REVENUES (EXPENSES)			
Interest expense	\$ (135,455)	\$ (79,377)	\$ (214,832)
Income (loss) before capital contributions, construction grants, and transfers	<u>\$ (647,307)</u>	<u>\$ (379,324)</u>	<u>\$ (1,026,631)</u>
Capital contributions and construction grants			
Federal grants	\$ 196,403	\$ 115,093	\$ 311,496
Transfers out	<u>\$ 201,551</u>	<u>\$ 118,110</u>	<u>\$ 319,661</u>
Change in net position	<u>\$ (249,353)</u>	<u>\$ (146,121)</u>	<u>\$ (395,474)</u>
Total net position - beginning	8,678,182	4,940,800	13,618,982
Total net position - ending	<u>\$ 8,428,829</u>	<u>\$ 4,794,679</u>	<u>\$ 13,223,508</u>

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

County of Smyth, Virginia
Combining Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2021

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 1,352,223	\$ 792,406	\$ 2,144,629
Payments to suppliers	(605,010)	(354,537)	(959,547)
Payments to employees	(261,283)	(153,113)	(414,396)
Net cash provided by (used for) operating activities	<u>\$ 485,930</u>	<u>\$ 284,756</u>	<u>\$ 770,686</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	<u>\$ 201,551</u>	<u>\$ 118,110</u>	<u>\$ 319,661</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Additions to utility plant	\$ (278,172)	\$ (163,010)	\$ (441,182)
Principal payments on bonds	(299,518)	(175,518)	(475,036)
Contributions in aid of construction	106,805	62,588	169,393
Interest payments	(216,596)	(126,926)	(343,522)
Net cash provided by (used for) capital and related financing activities	<u>\$ (687,481)</u>	<u>\$ (402,866)</u>	<u>\$ (1,090,347)</u>
Net increase (decrease) in cash and cash equivalents	\$ -	\$ -	\$ -
Cash and cash equivalents - beginning	-	-	-
Cash and cash equivalents - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	<u>\$ (511,852)</u>	<u>\$ (299,947)</u>	<u>\$ (811,799)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	\$ 955,368	\$ 559,849	\$ 1,515,217
(Increase) decrease in accounts receivable	(18,353)	(10,755)	(29,108)
(Increase) decrease in deferred outflows of resources	(18,091)	(10,601)	(28,692)
Increase (decrease) in accounts payable	55,377	32,451	87,828
Increase (decrease) in compensated absences	(2,670)	(1,565)	(4,235)
Increase (decrease) in net OPEB liabilities	185	107	292
Increase (decrease) in net pension liability	26,138	15,317	41,455
Increase (decrease) in deferred inflows of resources	(172)	(100)	(272)
Total adjustments	<u>\$ 997,782</u>	<u>\$ 584,703</u>	<u>\$ 1,582,485</u>
Net cash provided by (used for) operating activities	<u><u>\$ 485,930</u></u>	<u><u>\$ 284,756</u></u>	<u><u>\$ 770,686</u></u>

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

**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.

School Activity Fund - The School Activity Fund accounts for and reports the operations of the individual schools.

County of Smyth, Virginia
Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2021

	School Operating Fund	School Activity Fund	Total
ASSETS			
Cash and cash equivalents	\$ 2,129,913	\$ 1,254,149	\$ 3,384,062
Investments	783,015	-	783,015
Receivables (net of allowance for uncollectibles):			
Accounts receivable	215,145	17,407	232,552
Due from primary government	1,922,414	-	1,922,414
Due from other governmental units	2,772,973	-	2,772,973
Inventories	138,619	-	138,619
Prepaid items	628,473	5,297	633,770
Total assets	<u>\$ 8,590,552</u>	<u>\$ 1,276,853</u>	<u>\$ 9,867,405</u>
LIABILITIES			
Accounts payable	\$ 374,596	\$ -	\$ 374,596
Accrued liabilities	4,535,936	-	4,535,936
Total liabilities	<u>\$ 4,910,532</u>	<u>\$ -</u>	<u>\$ 4,910,532</u>
FUND BALANCE			
Nonspendable			
Prepaid items	\$ 628,473	\$ 5,297	\$ 633,770
Inventories	138,619	-	138,619
Committed			
Textbooks	1,682,959	-	1,682,959
School Activity Funds	-	1,271,556	1,271,556
Restricted			
School cafeterias	1,229,969	-	1,229,969
Total fund balances	<u>\$ 3,680,020</u>	<u>\$ 1,276,853</u>	<u>\$ 4,956,873</u>
Total liabilities and fund balances	<u>\$ 8,590,552</u>	<u>\$ 1,276,853</u>	<u>\$ 9,867,405</u>
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:			
Total fund balances per above			\$ 4,956,873
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			
Land		\$ 844,463	
Buildings and improvements		4,548,092	
Machinery and equipment		<u>2,393,051</u>	7,785,606
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.			
Pension related items		\$ 10,020,536	
OPEB related items		<u>1,334,658</u>	11,355,194
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		\$ (512,475)	
Net OPEB liabilities		(10,024,947)	
Net pension liability		<u>(40,766,097)</u>	(51,303,519)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.			
Pension related items		\$ (4,493,313)	
OPEB related items		<u>(1,385,325)</u>	(5,878,638)
Net position of governmental activities			<u>\$ (33,084,484)</u>

County of Smyth, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Fund - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2021

	School Operating Fund	School Activity Fund	Total
REVENUES			
Revenue from the use of money and property	\$ 13,787	\$ -	\$ 13,787
Charges for services	483,989	437,936	921,925
Miscellaneous	56,008	-	56,008
Recovered costs	584,085	-	584,085
Intergovernmental	49,746,596	-	49,746,596
Total revenues	<u>\$ 50,884,465</u>	<u>\$ 437,936</u>	<u>\$ 51,322,401</u>
EXPENDITURES			
Current:			
Education	\$ 49,008,964	\$ 1,498,432	\$ 50,507,396
Total expenditures	<u>\$ 49,008,964</u>	<u>\$ 1,498,432</u>	<u>\$ 50,507,396</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 1,875,501</u>	<u>\$ (1,060,496)</u>	<u>\$ 815,005</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ -	\$ 1,118,513	\$ 1,118,513
Transfers out	(1,118,513)	-	(1,118,513)
Total other financing sources (uses)	<u>(1,118,513)</u>	<u>1,118,513</u>	<u>-</u>
Net change in fund balances	\$ 756,988	\$ 58,017	\$ 815,005
Fund balances - beginning, as restated	2,923,032	1,218,836	4,141,868
Fund balances - ending	<u>\$ 3,680,020</u>	<u>\$ 1,276,853</u>	<u>\$ 4,956,873</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			\$ 815,005
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		\$ 1,102,987	
Depreciation expense		<u>(1,182,374)</u>	(79,387)
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		\$ 17,950	
Change in OPEB related items		(156,471)	
Change in pension related items		<u>459,700</u>	321,179
Change in net position of governmental activities			<u>\$ 1,056,797</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, 2021

	School Operating Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 2,750	\$ 2,750	\$ 13,787	\$ 11,037
Charges for services	1,879,607	1,879,607	483,989	(1,395,618)
Miscellaneous	787,613	787,613	56,008	(731,605)
Recovered costs	523,775	523,775	584,085	60,310
Intergovernmental	49,807,288	49,807,288	49,746,596	(60,692)
Total revenues	<u>\$ 53,001,033</u>	<u>\$ 53,001,033</u>	<u>\$ 50,884,465</u>	<u>\$ (2,116,568)</u>
EXPENDITURES				
Current:				
Education	\$ 53,001,033	\$ 53,001,033	\$ 49,008,964	\$ 3,992,069
Total expenditures	<u>\$ 53,001,033</u>	<u>\$ 53,001,033</u>	<u>\$ 49,008,964</u>	<u>\$ 3,992,069</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,875,501</u>	<u>\$ 1,875,501</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,118,513)</u>	<u>\$ (1,118,513)</u>
Net change in fund balances	\$ -	\$ -	\$ 756,988	\$ 756,988
Fund balances - beginning	-	-	2,923,032	2,923,032
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,680,020</u>	<u>\$ 3,680,020</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 Fund
Discretely Presented Component Unit - Economic Development Authority
June 30, 2021

	<u>EDA Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 261,367
Investments	589,945
Accrued interest	369
Total current assets	<u>\$ 851,681</u>
Noncurrent assets:	
Capital assets:	
Land	\$ 4,823,062
Total noncurrent assets	<u>\$ 4,823,062</u>
Total assets	<u>\$ 5,674,743</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 13,686
Due to primary government	146,213
Total current liabilities	<u>\$ 159,899</u>
NET POSITION	
Investment in capital assets	\$ 4,823,062
Unrestricted	691,782
Total net position	<u>\$ 5,514,844</u>

County of Smyth, Virginia
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund
Discretely Presented Component Unit - Economic Development Authority
For the Year Ended June 30, 2021

	<u>EDA Fund</u>
OPERATING REVENUES	
Miscellaneous	\$ 300,644
Business grant contribution from County	300,000
Return of grant funds	40,000
Total operating revenues	<u>\$ 640,644</u>
OPERATING EXPENSES	
Grant awards	\$ 406,618
Miscellaneous	136,076
Total operating expenses	<u>\$ 542,694</u>
Operating income (loss)	\$ 97,950
Total net position - beginning	5,416,894
Total net position - ending	<u><u>\$ 5,514,844</u></u>

County of Smyth, Virginia
Statement of Cash Flows - Proprietary Fund
Discretely Presented Component Unit - Economic Development Authority
For the Year Ended June 30, 2021

	<u>EDA Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from grant revenue	\$ 340,000
Payments for operating expenses	(546,738)
Other receipts	417,954
Net cash provided by (used for) operating activities	<u>\$ 211,216</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Sale (purchase) of investments	<u>\$ (7,264)</u>
Net increase (decrease) in cash and cash equivalents	\$ 203,952
Cash and cash equivalents - beginning	57,415
Cash and cash equivalents - ending	<u><u>\$ 261,367</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	<u>\$ 97,950</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Increase (decrease) in accounts payable	\$ (4,044)
Increase (decrease) in due to primary government	117,310
Total adjustments	<u>\$ 113,266</u>
Net cash provided by (used for) operating activities	<u><u>\$ 211,216</u></u>

County of Smyth, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2021

<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	\$ 11,036,421	\$ 11,036,421	\$ 11,467,843	\$ 431,422
Public service corporation taxes	1,320,757	1,320,757	1,535,949	215,192
Personal property taxes	3,518,801	3,518,801	3,708,600	189,799
Mobile home taxes	56,517	56,517	45,207	(11,310)
Machinery and tools taxes	1,654,977	1,654,977	1,961,812	306,835
Merchant's capital taxes	267,509	267,509	296,404	28,895
Penalties	170,000	170,000	182,796	12,796
Interest	339,400	339,400	420,621	81,221
Total general property taxes	\$ 18,364,382	\$ 18,364,382	\$ 19,619,232	\$ 1,254,850
Other local taxes:				
Local sales and use taxes	\$ 2,200,000	\$ 2,200,000	\$ 2,554,268	\$ 354,268
Consumers' utility taxes	438,200	438,200	568,263	130,063
Local consumption tax	168,100	168,100	89,518	(78,582)
Motor vehicle licenses	492,700	492,700	483,287	(9,413)
Taxes on recordation and wills	159,000	159,000	147,907	(11,093)
Special conveyance tax	38,000	38,000	37,955	(45)
Lodging tax	53,141	53,141	41,766	(11,375)
Special assessments	18,100	18,100	-	(18,100)
Moped and ATV taxes	-	-	2,382	2,382
Total other local taxes	\$ 3,567,241	\$ 3,567,241	\$ 3,925,346	\$ 358,105
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 6,013	\$ 6,013	\$ 4,475	\$ (1,538)
Land use application fees	300	300	1,220	920
Transfer fees	1,000	1,000	979	(21)
Building permits and other licenses	57,500	57,500	52,622	(4,878)
Erosion and sediment control	6,000	6,000	-	(6,000)
Other permits, fees, and licenses	1,000	1,000	2,037	1,037
Total permits, privilege fees, and regulatory licenses	\$ 71,813	\$ 71,813	\$ 61,333	\$ (10,480)
Fines and forfeitures:				
Court fines and forfeitures	\$ 1,140,385	\$ 1,140,385	\$ 871,402	\$ (268,983)
Revenue from use of money and property:				
Revenue from use of money	\$ 203,930	\$ 203,930	\$ 88,139	\$ (115,791)
Revenue from use of property	109,281	109,281	162,342	53,061
Total revenue from use of money and property	\$ 313,211	\$ 313,211	\$ 250,481	\$ (62,730)
Charges for services:				
Charges for law enforcement and traffic control	\$ 2,076	\$ 2,076	\$ 4,227	\$ 2,151
Charges for courthouse maintenance	87,000	87,000	61,283	(25,717)
Charges for courtroom security	302,960	302,960	214,096	(88,864)
Miscellaneous jail and inmate fees	5,600	5,600	3,870	(1,730)

County of Smyth, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2021

<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)				
Charges for Commonwealth's Attorney	\$ 3,500	\$ 3,500	\$ 3,703	\$ 203
Charges for sanitation and waste removal	848,000	848,000	835,377	(12,623)
Charges for law library	10,745	10,745	5,138	(5,607)
Charges for e-summons	5,600	5,600	8,569	2,969
Other charges for services	8,700	8,700	6,787	(1,913)
Total charges for services	\$ 1,274,181	\$ 1,274,181	\$ 1,143,050	\$ (131,131)
Miscellaneous	\$ 807,500	\$ 955,848	\$ 219,628	\$ (736,220)
Recovered costs:				
Rye Valley water salary reimbursement	\$ 25,993	\$ 25,993	\$ 23,827	\$ (2,166)
Insurance recoveries	50,000	50,000	81,295	31,295
School resource officer	132,000	132,000	133,109	1,109
Local board of welfare	24,000	267,740	25,758	(241,982)
Regional jail	280,000	280,000	699,172	419,172
Tourism	43,090	43,090	33,080	(10,010)
Other recovered costs	328,306	328,306	249,566	(78,740)
Total recovered costs	\$ 883,389	\$ 1,127,129	\$ 1,245,807	\$ 118,678
Total revenue from local sources	\$ 26,422,102	\$ 26,814,190	\$ 27,336,279	\$ 522,089
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling Stock Tax	\$ 34,521	\$ 34,521	\$ 31,787	\$ (2,734)
Communications sales and use taxes	537,000	537,000	433,336	(103,664)
Mobile home titling tax	55,000	55,000	57,352	2,352
Vehicle Share	-	-	162	162
Personal property tax relief funds	1,804,316	1,804,316	1,804,316	-
Total noncategorical aid	\$ 2,430,837	\$ 2,430,837	\$ 2,326,953	\$ (103,884)
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 594,573	\$ 594,573	\$ 564,615	\$ (29,958)
Sheriff	1,827,013	1,827,013	1,792,068	(34,945)
Commissioner of revenue	115,370	115,370	114,701	(669)
Treasurer	114,292	114,292	112,362	(1,930)
Registrar/electoral board	46,125	46,125	44,536	(1,589)
Clerk of the Circuit Court	347,357	347,357	352,417	5,060
Edward Byrne Memorial Jag Program	-	-	24,000	24,000
Total shared expenses	\$ 3,044,730	\$ 3,044,730	\$ 3,004,699	\$ (40,031)

County of Smyth, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2021

<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)				
Categorical aid: (Continued)				
Other categorical aid:				
Public assistance and welfare administration	\$ 1,673,070	\$ 1,673,070	\$ 1,713,974	\$ 40,904
Comprehensive services act	919,680	1,719,351	1,321,314	(398,037)
Emergency management grant	86,000	86,000	115,439	29,439
Fire program	81,519	81,519	85,298	3,779
VDOT grants	48,000	48,000	22,137	(25,863)
Litter control grant	9,000	9,000	7,905	(1,095)
Victim witness grant	121,398	121,398	40,539	(80,859)
Tobacco commission grant	-	27,973	-	(27,973)
School resource officer	151,689	151,689	252,971	101,282
Court technology trust fund grant	30,000	30,000	-	(30,000)
Two for life grant	30,000	30,000	28,545	(1,455)
State money	200,000	200,000	-	(200,000)
Moneys collected in County (State)	-	-	18,576	18,576
Special investigator funds	21,530	21,530	1,288	(20,242)
Record preservation grant	10,492	10,492	16,903	6,411
Governors Opportunity funds	451,853	451,853	-	(451,853)
Green Valley Court	4,500	4,500	-	(4,500)
Other categorical aid	71,300	71,300	3,975	(67,325)
Total other categorical aid	\$ 3,910,031	\$ 4,737,675	\$ 3,628,864	\$ (1,108,811)
Total categorical aid	\$ 6,954,761	\$ 7,782,405	\$ 6,633,563	\$ (1,148,842)
Total revenue from the Commonwealth	\$ 9,385,598	\$ 10,213,242	\$ 8,960,516	\$ (1,252,726)
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of taxes	\$ 211,500	\$ 211,500	\$ 217,277	\$ 5,777
QSCB federal subsidy	-	-	487,113	487,113
Total noncategorical aid	\$ 211,500	\$ 211,500	\$ 704,390	\$ 492,890
Categorical aid:				
Public assistance and welfare administration	\$ 2,859,767	\$ 2,859,767	\$ 3,018,113	\$ 158,346
Emergency management grant	7,500	7,500	7,500	-
Alcohol impaired driving countermeasures	21,530	21,530	11,740	(9,790)
State and community highway safety	25,000	25,000	-	(25,000)
COVID-19 coronavirus relief	2,684,912	5,726,675	5,041,166	(685,509)
Community development block grant	440,000	440,000	288,586	(151,414)
Victim witness grant	-	-	51,046	51,046
Total categorical aid	\$ 6,038,709	\$ 9,080,472	\$ 8,418,151	\$ (662,321)
Total revenue from the federal government	\$ 6,250,209	\$ 9,291,972	\$ 9,122,541	\$ (169,431)
Total General Fund	\$ 42,057,909	\$ 46,319,404	\$ 45,419,336	\$ (900,068)
Total Primary Government	\$ 42,057,909	\$ 46,319,404	\$ 45,419,336	\$ (900,068)

County of Smyth, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2021

<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	\$ -	\$ -	\$ 13,787	\$ 13,787
Revenue from the use of property	2,750	2,750	-	(2,750)
Total revenue from use of money and property	\$ 2,750	\$ 2,750	\$ 13,787	\$ 11,037
Charges for services:				
Cafeteria sales	\$ 1,243,307	\$ 1,243,307	\$ 49,278	\$ (1,194,029)
Tuition and payments from other divisions	636,300	636,300	434,711	(201,589)
Total charges for services	\$ 1,879,607	\$ 1,879,607	\$ 483,989	\$ (1,395,618)
Miscellaneous:				
Other miscellaneous	\$ 787,613	\$ 787,613	\$ 56,008	\$ (731,605)
Recovered costs:				
Insurance recoveries and rebates	\$ 100,000	\$ 100,000	\$ 6,787	\$ (93,213)
Sale of equipment	20,000	20,000	31,440	11,440
Famis/Medicaid reimbursement	200,000	200,000	233,852	33,852
E-rate	138,000	138,000	161,567	23,567
Other recovered costs	65,775	65,775	150,439	84,664
Total recovered costs	\$ 523,775	\$ 523,775	\$ 584,085	\$ 60,310
Total revenue from local sources	\$ 3,193,745	\$ 3,193,745	\$ 1,137,869	\$ (2,055,876)
Intergovernmental:				
Revenue from local governments				
Contribution from County of Smyth, Virginia	\$ 8,997,115	\$ 8,997,115	\$ 8,137,390	\$ (859,725)
Revenue from the Commonwealth:				
Categorical aid:				
At risk four-year olds	\$ 624,404	\$ 624,404	\$ 417,192	\$ (207,212)
At risk payments	1,412,563	1,412,563	1,376,684	(35,879)
Basic school aid	16,079,344	16,079,344	15,640,283	(439,061)
Breakfast after the bell	9,000	9,000	5,332	(3,668)
CTE	-	-	82,393	82,393
Early reading intervention	140,910	140,910	132,621	(8,289)
English as a second language	29,001	29,001	25,655	(3,346)
GED funds	25,159	25,159	25,159	-
Gifted and talented	166,115	166,115	161,855	(4,260)
Group life insurance instructional	72,088	72,088	70,239	(1,849)
Homebound education	5,597	5,597	3,377	(2,220)
Industry certification	-	-	10,218	10,218
Jobs for grads	30,000	30,000	30,000	-

County of Smyth, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2021

<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	\$ 3,160	\$ 3,160	\$ 3,602	\$ 442
National board certification	5,000	5,000	2,500	(2,500)
Primary class size	812,042	812,042	764,379	(47,663)
Project graduation	5,432	5,432	5,432	-
Regular foster care	50,000	50,000	51,606	1,606
Regular tuition-COOP	342,947	342,947	384,353	41,406
Remedial education	720,878	720,878	702,391	(18,487)
Remedial summer education	110,553	110,553	90,221	(20,332)
Retirement fringe benefits	2,353,824	2,353,824	2,293,460	(60,364)
School food	43,299	43,299	28,030	(15,269)
Share of state sales tax	4,374,821	4,374,821	5,473,860	1,099,039
Social security fringe benefits	1,009,230	1,009,230	983,348	(25,882)
Special education - foster children	1,723,839	1,723,839	1,679,631	(44,208)
Special education - regional programs	89,382	89,382	66,955	(22,427)
Standards of Learning algebra readiness	100,345	100,345	100,602	257
Textbook payment	336,838	336,838	328,200	(8,638)
Vocational adult education	35,000	35,000	-	(35,000)
Vocational equipment education	-	-	10,235	10,235
Vocational occupational preparedness	64,566	64,566	-	(64,566)
Vocational education SOQ payments	742,818	742,818	723,768	(19,050)
VPSA technology grant	388,000	388,000	388,000	-
Learning Loss PPA	-	-	251,599	251,599
No loss funding	-	-	440,838	440,838
STEM competition grants	-	-	5,000	5,000
Virtual Virginia	-	-	340	340
Infrastructure and operations per pupil	1,169,108	1,169,108	1,273,522	104,414
State security grant	106,664	106,664	244,784	138,120
Other state funds	955,310	955,310	1,725	(953,585)
Total categorical aid	\$ 34,137,237	\$ 34,137,237	\$ 34,279,389	\$ 142,152
Total revenue from the Commonwealth	\$ 34,137,237	\$ 34,137,237	\$ 34,279,389	\$ 142,152
Revenue from the federal government:				
Categorical aid:				
School breakfast program	\$ -	\$ -	\$ 17,627	\$ 17,627
School lunch program	2,273,189	2,273,189	268,497	(2,004,692)
Summer food service program	111,000	111,000	2,094,393	1,983,393
Title I	1,318,241	1,318,241	1,321,143	2,902
Title VI-B, Special education flow-through	1,069,933	1,069,933	998,300	(71,633)
Vocational education	94,642	94,642	116,645	22,003
Title VI-B, Special education pre-school	54,257	54,257	55,002	745
Title II	180,668	180,668	185,749	5,081
Forest reserve	-	-	65,333	65,333
Fresh fruits and vegetables	14,000	14,000	39,578	25,578

County of Smyth, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2021

<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)				
21st century	\$ 130,000	\$ 130,000	\$ 70,366	\$ (59,634)
Title VI	75,522	75,522	82,162	6,640
Child and adult care food program	80,000	80,000	14,826	(65,174)
Third meal	-	-	20,980	20,980
Student support and enrichment program	93,158.00	93,158.00	102,630	9,472
CARES - CRF K-12 Schools	1,174,381.00	1,174,381.00	709,170	(465,211)
GEER Wifi Mifi Access	-	-	1,038,398	1,038,398
Virginia Preschool TANF	-	-	128,547	128,547
Title III	3,945	3,945	471	(3,474)
Total categorical aid	<u>\$ 6,672,936</u>	<u>\$ 6,672,936</u>	<u>\$ 7,329,817</u>	<u>\$ 656,881</u>
Total revenue from the federal government	<u>\$ 6,672,936</u>	<u>\$ 6,672,936</u>	<u>\$ 7,329,817</u>	<u>\$ 656,881</u>
Total School Operating Fund	<u>\$ 53,001,033</u>	<u>\$ 53,001,033</u>	<u>\$ 50,884,465</u>	<u>\$ (2,116,568)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 53,001,033</u>	<u>\$ 53,001,033</u>	<u>\$ 50,884,465</u>	<u>\$ (2,116,568)</u>

County of Smyth, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2021

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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	\$ 1,158,476	\$ 1,173,008	\$ 905,441	\$ 267,567
General and financial administration:				
County administrator	\$ 1,068,659	\$ 1,068,659	\$ 642,652	\$ 426,007
Legal department	75,000	75,000	64,754	10,246
Commissioner of revenue	301,421	301,421	309,697	(8,276)
Assessor	6,000	6,000	8,026	(2,026)
Treasurer	402,620	402,620	350,067	52,553
Management information systems	600,024	610,344	464,949	145,395
Total general and financial administration	\$ 2,453,724	\$ 2,464,044	\$ 1,840,145	\$ 623,899
Board of elections:				
Electoral board/registrar	\$ 276,316	\$ 291,292	\$ 277,352	\$ 13,940
Total general government administration	\$ 3,888,516	\$ 3,928,344	\$ 3,022,938	\$ 905,406
Judicial administration:				
Courts:				
Circuit court	\$ 203,626	\$ 203,626	\$ 189,467	\$ 14,159
General district court	11,399	11,399	8,391	3,008
Juvenile and domestic court	212,232	187,380	184,594	2,786
Clerk of the circuit court	608,000	608,000	566,776	41,224
Law library	1,000	1,000	-	1,000
Victim witness assistance program	103,403	103,403	92,626	10,777
Total courts	\$ 1,139,660	\$ 1,114,808	\$ 1,041,854	\$ 72,954
Commonwealth's attorney:				
Commonwealth's attorney	\$ 978,619	\$ 976,939	\$ 866,626	\$ 110,313
Total judicial administration	\$ 2,118,279	\$ 2,091,747	\$ 1,908,480	\$ 183,267
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 3,728,329	\$ 3,703,329	\$ 3,646,639	\$ 56,690
Central dispatch	2,800	2,800	2,651	149
Total law enforcement and traffic control	\$ 3,731,129	\$ 3,706,129	\$ 3,649,290	\$ 56,839
Fire and rescue services:				
Volunteer fire department	\$ 427,899	\$ 427,899	\$ 429,197	\$ (1,298)
Ambulance and rescue service	342,787	342,787	298,658	44,129
Total fire and rescue services	\$ 770,686	\$ 770,686	\$ 727,855	\$ 42,831
Correction and detention:				
Sheriff - jail	\$ 2,946,739	\$ 2,946,739	\$ 2,946,739	\$ -
Development services:				
Building inspection	\$ 345,847	\$ 345,847	\$ 283,346	\$ 62,501

County of Smyth, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2021

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)				
Public safety: (Continued)				
Other protection:				
Animal control	\$ 434,232	434,232	\$ 363,937	\$ 70,295
Medical examiner	500	500	940	(440)
Emergency services - civil defense	121,937	199,714	97,865	101,849
Sheriff school resource officer	162,573	162,573	158,904	3,669
County E-911	239,351	239,351	212,130	27,221
Forestry	8,750	8,750	8,746	4
E-911 wireless	145,282	171,962	69,858	102,104
Sheriff drug asset	10,000	10,000	5,344	4,656
Sheriff department dare	10,000	10,000	213	9,787
Asset forfeiture	125,000	125,000	13,905	111,095
Police activity	1,219,891	1,219,891	849,534	370,357
Special investigation	21,530	21,530	4,786	16,744
E-summons	60,000	60,000	41,091	18,909
Commonwealth Attorney asset forfeiture	20,000	20,000	-	20,000
Courthouse security	302,960	302,960	175,819	127,141
Pandemic response	2,676,458	2,197,342	1,414,506	782,836
Total other protection	\$ 5,558,464	\$ 5,183,805	\$ 3,417,578	\$ 1,766,227
Total public safety	\$ 13,352,865	\$ 12,953,206	\$ 11,024,808	\$ 1,928,398
Public works:				
Water and sewer:				
Rye Valley water company	\$ 25,922	\$ 25,922	\$ 25,922	\$ -
Sanitation and waste removal:				
Refuse collection and disposal	\$ 1,287,327	\$ 1,287,327	\$ 1,271,700	\$ 15,627
Convenience stations	296,700	296,700	322,451	(25,751)
Total sanitation and waste removal	\$ 1,584,027	\$ 1,584,027	\$ 1,594,151	\$ (10,124)
Maintenance of general buildings and grounds:				
Courthouse maintenance	\$ 262,695	\$ 260,945	\$ 260,023	\$ 922
Health department building	94,256	97,756	84,158	13,598
Pandemic response	-	465,169	465,169	-
County office building	336,411	334,661	217,806	116,855
Total maintenance of general buildings and grounds	\$ 693,362	\$ 1,158,531	\$ 1,027,156	\$ 131,375
Total public works	\$ 2,303,311	\$ 2,768,480	\$ 2,647,229	\$ 121,251
Health and welfare:				
Health:				
Supplement of local health department	\$ 441,023	\$ 441,023	\$ 441,023	\$ -
Mental health and mental retardation:				
Mental health contribution	\$ 195,982	\$ 195,982	\$ 195,982	\$ -
Welfare:				
Board members	\$ 4,200	\$ 4,200	\$ 2,200	\$ 2,000
Welfare administration and programs	5,548,407	5,548,407	5,327,062	221,345

County of Smyth, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2021

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: (Continued)				
Comprehensive services act	\$ 1,202,750	\$ 2,246,161	\$ 2,103,521	\$ 142,640
Pandemic response	-	440,165	440,165	-
Other welfare programs	249,639	249,639	244,039	5,600
Total welfare	<u>\$ 7,004,996</u>	<u>\$ 8,488,572</u>	<u>\$ 8,116,987</u>	<u>\$ 371,585</u>
Total health and welfare	<u>\$ 7,642,001</u>	<u>\$ 9,125,577</u>	<u>\$ 8,753,992</u>	<u>\$ 371,585</u>
Education:				
Other instructional costs:				
Contribution to Community Colleges	\$ 70,645	\$ 70,645	\$ 72,385	\$ (1,740)
Contribution to County School Board	8,137,390	8,137,390	8,137,390	-
Total education	<u>\$ 8,208,035</u>	<u>\$ 8,208,035</u>	<u>\$ 8,209,775</u>	<u>\$ (1,740)</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Recreation	\$ 35,250	\$ 35,250	\$ 35,250	\$ -
Tourism	43,096	43,096	35,861	7,235
Total parks and recreation	<u>\$ 78,346</u>	<u>\$ 78,346</u>	<u>\$ 71,111</u>	<u>\$ 7,235</u>
Library:				
Library administration	<u>\$ 660,000</u>	<u>\$ 660,000</u>	<u>\$ 660,000</u>	<u>\$ -</u>
Total parks, recreation, and cultural	<u>\$ 738,346</u>	<u>\$ 738,346</u>	<u>\$ 731,111</u>	<u>\$ 7,235</u>
Community development:				
Planning and community development:				
Planning commission	\$ 3,750	\$ 3,750	\$ 4,153	\$ (403)
Community and economic development	86,569	86,569	78,214	8,355
Contribution to Economic Development Authority	-	300,000	300,000	-
Broadband projects	-	379,192	379,192	-
Contributions to Towns - pandemic response	-	1,636,353	1,636,353	-
Industrial Development Authorities	551,742	551,742	-	551,742
Total planning and community development	<u>\$ 642,061</u>	<u>\$ 2,957,606</u>	<u>\$ 2,397,912</u>	<u>\$ 559,694</u>
Environmental management:				
Soil and conservation	<u>\$ 27,600</u>	<u>\$ 27,600</u>	<u>\$ 27,600</u>	<u>\$ -</u>
Cooperative extension program:				
Extension office	<u>\$ 93,594</u>	<u>\$ 93,594</u>	<u>\$ 80,816</u>	<u>\$ 12,778</u>
Total community development	<u>\$ 763,255</u>	<u>\$ 3,078,800</u>	<u>\$ 2,506,328</u>	<u>\$ 572,472</u>

County of Smyth, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2021

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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)				
Capital projects:				
Capital improvements	\$ 940,000	\$ 940,000	\$ -	\$ 940,000
Debt service:				
Principal retirement	\$ 4,733,500	\$ 4,733,500	\$ 2,160,612	\$ 2,572,888
Interest and other fiscal charges	3,659,843	3,659,843	1,670,540	1,989,303
Total debt service	\$ 8,393,343	\$ 8,393,343	\$ 3,831,152	\$ 4,562,191
 Total General Fund	 \$ 48,347,951	 \$ 52,225,878	 \$ 42,635,813	 \$ 9,590,065
 Total Primary Government	 \$ 48,347,951	 \$ 52,225,878	 \$ 42,635,813	 \$ 9,590,065
 Discretely Presented Component Unit - School Board				
School Operating Fund:				
Education:				
Administration of schools:				
Administration and health services	\$ 1,542,304	\$ 1,542,304	\$ 1,532,637	\$ 9,667
Instruction costs:				
Instructional costs	\$ 36,860,812	\$ 36,860,812	\$ 34,923,989	\$ 1,936,823
Operating costs:				
Pupil transportation	\$ 2,588,766	\$ 2,588,766	\$ 2,426,904	\$ 161,862
Operation and maintenance of school plant	5,965,229	5,965,229	5,536,206	429,023
School food service	3,811,304	3,811,304	2,660,927	1,150,377
Facilities	403,928	403,928	-	403,928
Technology	1,828,690	1,828,690	1,928,301	(99,611)
Total operating costs	\$ 14,597,917	\$ 14,597,917	\$ 12,552,338	\$ 2,045,579
 Total School Operating Fund	 \$ 53,001,033	 \$ 53,001,033	 \$ 49,008,964	 \$ 3,992,069
 Total Discretely Presented Component Unit - School Board	 \$ 53,001,033	 \$ 53,001,033	 \$ 49,008,964	 \$ 3,992,069

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Governmental activities										
Net investment in capital assets	\$ 10,597,262	\$ 8,483,398	\$ 8,163,198	\$ 7,410,590	\$ 8,038,644	\$ 8,244,411	\$ 9,369,305	\$ 9,020,728	\$ 9,654,051	\$ 8,750,010
Restricted	1,588,663	1,602,271	752,619	1,480,166	1,719,619	668,635	-	-	-	-
Unrestricted	8,791,571	7,447,500	6,903,727	5,821,151	4,836,863	3,351,486	(1,973,096)	4,988,505	4,115,583	4,037,414
Total governmental activities net position	\$ 20,977,496	\$ 17,533,169	\$ 15,819,544	\$ 14,711,907	\$ 14,595,126	\$ 12,264,532	\$ 7,396,209	\$ 14,009,233	\$ 13,769,634	\$ 12,787,424
Business-type activities										
Net investment in capital assets	\$ 13,164,789	\$ 13,645,145	\$ 14,609,381	\$ 15,469,911	\$ 13,773,956	\$ 14,867,097	\$ 15,755,398	\$ 17,059,262	\$ 18,053,445	\$ 18,674,951
Unrestricted	58,719	(26,163)	(10,569)	(268,008)	(175,296)	(199,122)	23,421	79,075	172,073	290,087
Total business-type activities net position	\$ 13,223,508	\$ 13,618,982	\$ 14,598,812	\$ 15,201,903	\$ 13,598,660	\$ 14,667,975	\$ 15,778,819	\$ 17,138,337	\$ 18,225,518	\$ 18,965,038
Primary government										
Net investment in capital assets	\$ 23,762,051	\$ 22,128,543	\$ 22,772,579	\$ 22,880,501	\$ 21,812,600	\$ 23,111,508	\$ 25,124,703	\$ 26,079,990	\$ 27,707,496	\$ 27,424,961
Restricted	1,588,663	1,602,271	752,619	1,480,166	1,719,619	668,635	-	-	-	-
Unrestricted	8,850,290	7,421,337	6,893,158	5,553,143	4,661,567	3,152,364	(1,949,675)	5,067,580	4,287,656	4,327,501
Total primary government net position	\$ 34,201,004	\$ 31,152,151	\$ 30,418,356	\$ 29,913,810	\$ 28,193,786	\$ 26,932,507	\$ 23,175,028	\$ 31,147,570	\$ 31,995,152	\$ 31,752,462

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Expenses										
Governmental activities										
General government administration	\$ 2,434,213	\$ 3,367,652	\$ 2,359,637	\$ 2,108,251	\$ 2,663,712	\$ 2,522,032	\$ 2,197,454	\$ 2,432,123	\$ 2,615,616	\$ 2,243,730
Judicial administration	2,487,513	2,333,043	2,167,499	2,085,710	1,638,101	1,591,793	1,825,563	1,682,907	1,493,566	1,442,451
Public safety	9,694,665	9,065,015	8,709,906	8,492,659	8,539,095	7,610,041	7,095,586	7,142,779	6,668,145	6,606,593
Public works	2,658,740	2,075,707	1,983,495	2,148,119	2,059,998	2,548,965	2,090,129	2,056,232	2,122,689	2,085,140
Health and welfare	8,917,782	7,628,329	6,743,163	6,735,510	6,328,638	6,281,076	5,267,649	5,662,739	5,601,627	5,069,915
Education	9,107,198	9,660,316	9,176,867	9,328,944	8,568,359	6,682,117	9,687,317	9,565,569	8,487,813	8,016,040
Parks, recreation, and cultural	711,535	709,638	729,789	770,828	764,591	1,292,528	1,028,674	1,027,887	1,007,108	1,019,793
Community development	2,509,137	427,542	1,029,016	368,790	327,775	334,389	1,150,411	1,476,366	1,195,480	1,266,069
Interest on long-term debt	871,985	896,280	962,475	1,019,376	1,572,972	1,219,313	1,457,368	1,414,721	1,505,797	1,009,693
Total governmental activities	\$ 39,392,768	\$ 36,163,522	\$ 33,861,847	\$ 33,058,187	\$ 32,463,241	\$ 30,082,254	\$ 31,800,151	\$ 32,461,323	\$ 30,697,841	\$ 28,759,424
Business-type activities										
Water and sewer	\$ 3,200,368	\$ 3,152,325	\$ 2,914,947	\$ 2,944,311	\$ 2,927,130	\$ 3,116,610	\$ 3,641,767	\$ 3,304,613	\$ 3,327,527	\$ 3,339,245
Total business-type activities	\$ 3,200,368	\$ 3,152,325	\$ 2,914,947	\$ 2,944,311	\$ 2,927,130	\$ 3,116,610	\$ 3,641,767	\$ 3,304,613	\$ 3,327,527	\$ 3,339,245
Total primary government expenses	\$ 42,593,136	\$ 39,315,847	\$ 36,776,794	\$ 36,002,498	\$ 35,390,371	\$ 33,198,864	\$ 35,441,918	\$ 35,765,936	\$ 34,025,368	\$ 32,098,669
Program Revenues										
Governmental activities										
Charges for services	\$ 8,824	\$ 7,882	\$ 10,380	\$ 17,828	\$ 37,877	\$ 32,444	\$ -	\$ -	\$ -	\$ -
General government administration	881,222	1,030,379	1,095,915	942,952	829,133	1,096,273	280,374	195,270	176,714	163,113
Judicial administration	349,142	287,438	365,302	336,387	317,298	356,496	1,364,850	1,039,261	819,844	850,353
Public safety	836,597	910,170	854,695	821,118	1,012,486	1,025,428	994,491	916,345	967,251	1,415,524
Public works	-	-	-	-	-	-	12,873	11,531	13,602	11,369
Health and welfare	15,051,714	9,782,392	8,783,861	8,265,629	7,944,314	7,722,207	7,568,809	7,861,211	7,405,851	6,915,771
Operating grants and contributions	-	-	-	-	-	-	-	-	145,000	-
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total governmental activities program revenues	\$ 17,127,499	\$ 14,361,928	\$ 11,110,153	\$ 10,383,914	\$ 10,141,108	\$ 10,232,848	\$ 10,221,397	\$ 10,023,618	\$ 9,528,262	\$ 9,356,130
Business-type activities										
Charges for services	\$ 2,173,737	\$ 2,210,147	\$ 2,250,002	\$ 2,195,392	\$ 2,204,954	\$ 2,021,625	\$ 2,112,309	\$ 1,922,430	\$ 2,008,325	\$ 1,881,076
Water and sewer	311,496	12,194	265,885	2,530,983	104,237	59,975	171,102	-	155,463	172,048
Capital grants and contributions	2,485,233	2,222,341	2,515,887	4,726,375	2,309,191	2,081,600	2,283,411	1,922,430	2,163,788	2,053,124
Total business-type activities program revenues	\$ 19,612,732	\$ 16,584,269	\$ 13,626,040	\$ 15,110,289	\$ 12,450,299	\$ 12,314,448	\$ 12,504,808	\$ 11,946,048	\$ 11,692,050	\$ 11,409,254
Total primary government program revenues	\$ 36,740,231	\$ 30,946,197	\$ 24,736,193	\$ 25,494,203	\$ 22,591,407	\$ 22,547,296	\$ 22,726,205	\$ 21,970,066	\$ 21,220,312	\$ 20,765,384
Net (expense) revenue	\$ (6,192,368)	\$ (6,152,325)	\$ (12,910,647)	\$ (8,044,311)	\$ (10,248,968)	\$ (8,505,048)	\$ (12,925,714)	\$ (13,945,418)	\$ (12,707,048)	\$ (11,994,254)
Governmental activities										
Governmental activities	\$ (22,265,269)	\$ (21,801,594)	\$ (22,751,694)	\$ (22,674,273)	\$ (22,322,133)	\$ (19,849,406)	\$ (21,578,754)	\$ (22,437,705)	\$ (21,169,579)	\$ (19,403,294)
Business-type activities	(715,135)	(929,984)	(399,060)	1,782,064	(617,939)	(1,035,010)	(1,358,356)	(1,382,183)	(1,163,739)	(1,286,121)
Total primary government net expense	\$ (22,980,404)	\$ (22,731,578)	\$ (23,150,754)	\$ (20,892,209)	\$ (22,940,072)	\$ (20,884,416)	\$ (22,937,110)	\$ (23,819,888)	\$ (22,333,318)	\$ (20,689,415)

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
General property taxes	\$ 19,089,572	\$ 17,910,662	\$ 16,973,046	\$ 17,194,583	\$ 16,785,337	\$ 16,956,694	\$ 16,343,883	\$ 16,874,613	\$ 16,450,037	\$ 14,745,763
Other local taxes	3,925,346	3,791,344	3,540,355	3,529,183	3,444,795	3,370,056	3,880,265	3,706,500	3,739,754	3,684,150
Unrestricted grants and contributions	2,544,230	2,628,722	2,634,424	2,694,976	2,580,995	2,527,873	1,920,369	1,927,902	1,825,463	1,748,615
Unrestricted revenues from use of money and property	250,481	320,471	355,426	269,998	227,311	138,545	242,917	219,217	335,497	289,596
Miscellaneous	219,628	157,841	152,049	258,209	240,957	160,814	224,296	240,188	218,097	210,722
Transfers	(319,661)	49,846	204,031	161,140	451,376	(22,848)	(91,709)	(291,116)	(469,443)	(409,228)
Special items - underwriter's discount	-	-	-	-	-	-	-	-	-	(493,563)
Total governmental activities	\$ 25,709,596	\$ 24,858,886	\$ 23,859,331	\$ 24,108,089	\$ 23,730,771	\$ 23,131,134	\$ 22,520,021	\$ 22,677,304	\$ 22,099,405	\$ 19,776,055
Business-type activities:										
Unrestricted revenues from use of money and property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Miscellaneous	-	-	-	-	-	-	3,566	3,886	1,756	5,036
Transfers	319,661	(49,846)	(204,031)	(161,140)	(451,376)	22,848	275,472	291,116	469,443	409,228
Total business-type activities	\$ 319,661	\$ (49,846)	\$ (204,031)	\$ (161,140)	\$ (451,376)	\$ 22,848	\$ 279,038	\$ 295,002	\$ 471,199	\$ 414,264
Total primary government	\$ 26,029,257	\$ 24,809,040	\$ 23,655,300	\$ 23,946,949	\$ 23,279,395	\$ 23,153,982	\$ 22,799,059	\$ 22,972,306	\$ 22,570,604	\$ 20,190,319
Change in Net Position										
Governmental activities	\$ 3,444,327	\$ 1,713,625	\$ 1,107,637	\$ 1,433,816	\$ 1,408,638	\$ 3,281,728	\$ 941,267	\$ 239,599	\$ 929,826	\$ 372,761
Business-type activities	(395,474)	(979,830)	(603,091)	1,620,924	(1,069,315)	(1,012,162)	(1,079,318)	(1,087,181)	(692,540)	(871,857)
Total primary government	\$ 3,048,853	\$ 733,795	\$ 504,546	\$ 3,054,740	\$ 339,323	\$ 2,269,566	\$ (138,051)	\$ (847,582)	\$ 237,286	\$ (499,096)

Table 3

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
General Fund										
Nonspendable	\$ 171,678	\$ 134,252	\$ 181,639	\$ 184,089	\$ 170,692	\$ 165,535	\$ 205,182	\$ 181,436	\$ 180,909	\$ 51,925
Restricted	1,588,663	1,602,271	752,619	1,480,166	1,719,619	7,053,698	12,560,956	21,335,807	25,697,568	39,125,509
Committed	227,520	314,009	718,986	945,049	1,108,674	1,241,351	47,531	71,786	62,900	58,485
Unassigned	13,627,947	11,101,414	9,358,844	7,893,953	6,431,674	5,158,382	3,059,388	2,914,839	3,614,881	4,932,136
Total general fund	\$ 15,615,808	\$ 13,151,946	\$ 11,012,088	\$ 10,503,257	\$ 9,430,659	\$ 13,618,966	\$ 15,873,057	\$ 24,503,868	\$ 29,556,258	\$ 44,168,055

Table 4

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Revenues										
General property taxes	\$ 19,619,232	\$ 17,930,375	\$ 17,453,207	\$ 17,124,424	\$ 16,516,355	\$ 16,947,861	\$ 16,278,485	\$ 16,532,802	\$ 15,861,854	\$ 14,294,912
Other local taxes	3,925,346	3,791,344	3,540,355	3,529,183	3,444,795	3,370,056	3,880,265	3,706,500	3,739,754	3,684,150
Permits, privilege fees, and licenses	61,333	111,689	85,185	129,113	113,794	135,421	95,901	161,986	124,647	127,045
Fines and forfeitures	871,402	1,019,041	1,078,773	928,528	814,522	1,082,497	1,280,930	888,941	714,666	726,131
Revenue from use of money and property	250,481	320,471	355,426	269,998	227,311	138,545	242,917	219,217	335,497	289,596
Charges for services	1,143,050	1,105,139	1,162,334	1,060,644	1,268,478	1,292,723	1,236,967	1,065,606	1,010,630	1,033,161
Recovered costs	1,245,807	817,164	532,836	848,829	398,251	301,480	234,006	260,219	335,169	760,405
Other	219,628	157,841	152,049	258,209	240,957	160,814	224,296	240,188	218,097	210,723
Intergovernmental	18,083,057	12,922,059	11,865,953	11,376,635	10,525,309	10,250,080	9,388,971	9,705,113	9,292,314	8,580,386
Total revenues	\$ 45,419,336	\$ 38,175,123	\$ 36,226,118	\$ 35,525,563	\$ 33,549,772	\$ 33,679,477	\$ 32,862,738	\$ 32,780,572	\$ 31,632,628	\$ 29,706,509
Expenditures										
General government administration	\$ 3,022,938	\$ 2,367,900	\$ 2,468,213	\$ 2,637,943	\$ 2,680,532	\$ 2,274,638	\$ 2,160,543	\$ 2,412,477	\$ 2,735,775	\$ 2,140,645
Judicial administration	1,908,480	1,857,567	1,807,747	1,683,976	1,601,951	1,554,655	1,809,226	1,690,506	1,438,614	1,405,780
Public safety	11,024,808	9,424,124	9,186,164	8,814,969	8,200,093	7,625,091	6,746,242	6,676,032	6,718,463	6,408,287
Public works	2,647,229	2,135,887	2,482,529	2,190,945	2,364,772	2,322,184	1,906,816	2,019,165	2,051,755	2,090,119
Health and welfare	8,753,992	7,608,179	7,120,994	7,027,227	6,413,303	6,359,049	5,404,748	5,679,174	5,563,404	5,073,079
Education	8,209,775	8,748,338	7,818,509	7,984,685	7,296,634	5,378,772	8,275,288	8,040,810	7,638,606	7,131,034
Parks, recreation, and cultural	731,111	732,090	732,090	772,090	764,563	914,558	976,479	976,479	955,046	968,916
Community development	2,506,328	254,048	235,449	258,773	329,678	339,554	1,186,002	1,176,400	1,091,483	1,321,245
Capital projects	-	1,423	-	-	5,857,294	5,593,129	6,946,025	3,095,262	16,269,549	11,022,959
Debt service:										
Principal retirement	2,160,612	2,108,919	2,327,376	2,010,009	2,089,810	1,933,169	1,970,201	4,190,481	1,966,989	6,033,554
Bond issuance cost	-	39,470	-	-	-	-	-	-	-	-
Interest and other fiscal charges	1,670,540	1,712,166	1,742,247	1,801,007	1,466,236	1,628,640	1,408,231	1,585,060	1,654,575	891,381
Total expenditures	\$ 42,635,813	\$ 36,990,111	\$ 35,921,318	\$ 35,181,624	\$ 39,064,866	\$ 35,923,439	\$ 38,789,801	\$ 37,541,846	\$ 48,084,259	\$ 44,486,999
Excess of revenues over (under) expenditures	\$ 2,783,523	\$ 1,185,012	\$ 304,800	\$ 343,939	\$ (5,515,094)	\$ (2,243,962)	\$ (5,927,063)	\$ (4,761,274)	\$ (16,451,631)	\$ (14,780,490)
Other Financing Sources (Uses)										
Issuance of bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,970,000	\$ -	\$ 2,170,893	\$ 48,985,000
Issuance of loan payable	-	-	-	-	1,156,824	-	-	-	-	-
Issuance of refunding bonds	-	-	-	-	20,454,976	-	-	-	-	-
Issuance of bridge loan	-	-	-	-	2,300,000	-	-	-	-	-
Issuance of capital lease	-	905,000	-	-	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	(23,036,389)	-	(14,233,704)	-	-	-
Bond issuance costs	-	-	-	-	-	-	(108,102)	-	-	(86,000)
Premium on bonds	-	-	-	-	-	-	1,272,643	-	-	1,840,039
Underwriter's discount on bonds	-	-	-	-	-	-	-	-	-	(493,563)
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	(319,661)	49,846	204,031	161,140	451,376	12,719	183,763	-	-	-
Transfers out	-	-	-	-	-	(22,848)	(275,472)	(291,116)	(469,443)	(409,228)
Total other financing sources (uses)	\$ (319,661)	\$ 954,846	\$ 204,031	\$ 161,140	\$ 1,326,787	\$ (10,129)	\$ (2,190,872)	\$ (291,116)	\$ 1,701,450	\$ 49,836,248
Net change in fund balance	\$ 2,463,862	\$ 2,139,858	\$ 508,831	\$ 505,079	\$ (4,188,307)	\$ (2,254,091)	\$ (8,117,935)	\$ (5,052,390)	\$ (14,750,181)	\$ 35,055,758
Debt service as a percentage of noncapital expenditures	10.59%	12.65%	13.82%	13.27%	10.91%	11.89%	10.61%	16.77%	11.38%	20.69%

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
2021	\$ 1,532,313,146	\$ 209,112,178	\$ 446,724,094	\$ 2,188,149,418
2020	1,420,931,260	418,732,569	178,668,937	2,018,332,766
2019	1,411,606,660	416,103,125	159,999,308	1,987,709,093
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

(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
2021	\$ 0.74	\$ 2.30	\$ 1.55	\$ 0.40	\$ 1.55
2020	0.74	2.30	1.55	0.40	1.55
2019	0.74	2.30	1.55	0.40	1.55
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

(1) Per \$100 of assessed value.

Table 7

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 Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1)	Percent of Delinquent Taxes to Tax Levy
2021	\$ 21,091,719	\$ 19,954,873	94.61%	\$ 1,348,545	\$ 21,303,418	101.00%	\$ 3,868,838	18.34%
2020	19,609,448	18,470,193	94.19%	1,174,643	19,644,836	100.18%	4,073,510	20.77%
2019	19,257,511	18,080,830	93.89%	1,080,552	19,161,382	99.50%	4,268,180	22.16%
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%

(1) Exclusive of penalties and interest.

Levy includes amounts collectible from the State under the PPTRA program and motor vehicle license fees
Collections in 2016 include PPTRA revenue and motor vehicle license fee collections.

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

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Table 9

**County of Smyth, Virginia
Population
Last Ten Fiscal Years**

Fiscal Year	Population
2021	29,800
2020	31,062
2019	31,062
2018	31,062
2017	31,062
2016	32,208
2015	32,208
2014	32,208
2013	32,208
2012	32,208

Source: United State Bureau of Census

COMPLIANCE SECTION



ROBINSON, FARMER, COX ASSOCIATES, PLLC

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, 2021, 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 November 12, 2021.

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) as a basis for designing 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2021-001 that we consider to be a material weakness.

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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

County of Smyth, Virginia's Response to Findings

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

Purpose of this Report

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

Robinson, Jarrett, Cox, Associates

Blacksburg, Virginia
November 12, 2021



**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, 2021. 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, 2021.

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, Jarmon, Cox, Associates

Blacksburg, Virginia
November 12, 2021

COUNTY OF SMYTH, VIRGINIA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Federal Expenditures	Expenditures to Subrecipients
DEPARTMENT OF AGRICULTURE:				
Pass through payments from:				
<i>Department of Social Services:</i>				
SNAP Cluster:				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010120/0010121	\$ 636,971	
<i>Department of Education:</i>				
Forest Service Schools and Roads Cluster:				
Schools and Roads - Grants to States	10.665	43841		65,333
Child Nutrition Cluster:				
School Breakfast Program	10.553	40253/40263	\$ 17,627	
Child Nutrition Discretionary Grants Limited Availability	10.579	unavailable	20,980	
<i>Department of Education:</i>				
COVID-19 - National School Lunch Program	10.555	unknown	\$ 27,674	
<i>State Department of Agriculture:</i>				
Food Distribution-Schools (Note C)	10.555	40264	240,824	268,498
Summer Food Service Program for Children	10.559	60302/60303	\$ 1,057,675	
COVID-19 - Summer Food Service Program for Children (SFSPC)	10.559	60175/60176	1,036,717	2,094,392
				2,401,497
Child and Adult Care Food Program	10.558	70027/70028	\$ 14,826	
Fresh Fruit and Vegetable Program	10.582	40252		39,578
Total Department of Agriculture			\$ 3,158,205	
DEPARTMENT OF HEALTH AND HUMAN SERVICES:				
Pass through payments from:				
<i>Department of Education:</i>				
Temporary Assistance for Needy Families	93.558	40274	\$ 128,547	
<i>Department of Social Services:</i>				
Temporary Assistance for Needy Families	93.558	0400120/0400121	417,105	\$ 545,652
MaryLee Allen Promoting Safe and Stable Families	93.556	0950119/0950120		26,200
Title IV-E Kinship Navigator Program	93.471	unavailable		45,554
Refugee and Entrant Assistance - State Administered Programs	93.566	0500120/0500121		912
Low Income Home Energy Assistance	93.568	0600420/0600421		64,987
Social Services Block Grant	93.667	1000120/1000121		517,819
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	9150119/9150120		4,359
Children's Health Insurance Program	93.767	0540120/0540121		5,909
Medicaid Cluster:				
Medical Assistance Program	93.778	1200120/1200121		473,110
Chafee Education and Training Vouchers Program	93.599	9160119		1,252
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900120		226
CCDF Cluster:				
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760120/0760121		83,754
Foster Care - Title IV E	93.658	1100120/1100121		423,533
Adoption Assistance	93.659	1120120/1120121		314,487
Adoption and Legal Guardianship Incentive Payments	93.603	1130118		1,935
Total Department of Health and Human Services			\$ 2,509,689	
DEPARTMENT OF HOMELAND SECURITY:				
Pass through payments from:				
<i>Department of Emergency Management:</i>				
Emergency Management Performance Grants	97.042	unavailable	\$ 7,500	
DEPARTMENT OF TRANSPORTATION:				
Pass through payments from:				
<i>Department of Motor Vehicles:</i>				
Highway Safety Cluster:				
State and Community Highway Safety	20.600	FSC-2020-59305-9305	\$ 11,740	
Highway Planning and Construction Cluster:				
Highway Planning and Construction	20.205	unavailable		311,496
Total Department of Transportation			\$ 323,236	
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:				
Pass through payments from:				
<i>Office of Community Planning and Development</i>				
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	unavailable	\$ 288,586	
DEPARTMENT OF TREASURY:				
Pass through payments from:				
<i>Department of Accounts:</i>				
Coronavirus Relief Fund	21.019	SLT0022	\$ 4,982,712	
<i>Department of Education:</i>				
Coronavirus Relief Fund	21.019	SLT0022	709,170	\$ 5,691,882
				\$1,600,240
DEPARTMENT OF JUSTICE:				
Pass through payments from:				
<i>Office of Victims of Crime</i>				
Crime Victim Assistance	16.575	20V2GX0048	\$ 51,046	
DEPARTMENT OF ELECTIONS:				
Pass through payments from:				
<i>Department of Elections</i>				
2018 HAVA Election Security Grants	90.404	unavailable	\$ 58,454	

COUNTY OF SMYTH, VIRGINIA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Federal Expenditures	Expenditures to Subrecipients
DEPARTMENT OF EDUCATION:				
Pass through payments from:				
<i>Department of Education:</i>				
Career and Technical Education -- Basic Grants to States	84.048	60031/61095	\$ 116,645	
Supporting Effective Instruction State Grants	84.367	61480	185,749	
English Language Acquisition State Grants	84.365	unavailable	471	
Title I Grants to Local Educational Agencies	84.010	42901	1,321,143	
Special Education Cluster (IDEA):				
Special Education - Grants to States	84.027	40371	\$ 998,300	
Special Education - Preschool Grants	84.173	62521	55,002	1,053,302
Education Stabilization Fund Cluster:				
Governor's Emergency Education Relief Fund	84.425C	70037	\$ 203,961	
Elementary and Secondary School Emergency Relief Fund	84.425D	unknown	834,437	1,038,398
Twenty-First Century Community Learning Centers	84.287	60565		70,366
Rural Education	84.358	43481		82,162
Student Support and Academic Enrichment Program	84.424	60281		102,630
Total Department of Education			\$ 3,970,866	
Total Expenditures of Federal Awards			\$ 16,059,464	

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 award activity of the County of Smyth, Virginia under programs of the federal government for the year ended June 30, 2021. The information in the Schedule is presented in accordance with the requirements of the Office of Management and Budget's 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 identifying 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 did not have any loans or loan guarantees which are subject to reporting requirements for the current year.

Note E--Donated Items

The County did not receive any donated items during the year.

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	\$ 18,083,057
Less: Revenue from the Commonwealth	(8,960,516)
Less: Payment in Lieu of Taxes	(217,277)
Less: QSCB interest subsidy	(487,113)
Proprietary Funds - Federal grants	311,496

Component Unit School Board:

School Operating Fund - Intergovernmental	49,746,596
Less: Revenue from local governments	(8,137,390)
Less: Revenue from the Commonwealth	(34,279,389)

Total federal expenditures per the Schedule of Expenditures of Federal Awards

\$ 16,059,464

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021

Section I - Summary of Auditors' Results**Financial Statements**

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

Federal Awards

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

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
21.019	COVID-19 Coronavirus Relief Fund
84.425C	COVID-19 - Governor's Emergency Education Relief Fund
84.425D	COVID-19 - Elementary and Secondary School Emergency Relief Fund
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

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021 (Continued)

Section II - Financial Statement Findings

2021-001	Material Weakness
Criteria:	Identification of a material adjustment to the financial statements that was not detected by the entity's internal controls indicates that a material weakness may exist.
Condition:	Material adjustments were proposed as a result of audit procedures performed for the County's and School Board's trial balances.
Cause of Condition:	The closing process did not accurately find and correct adjustments needed for financial reporting.
Effect of Condition:	There is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected by the entity's internal controls over financial reporting.
Recommendation:	The County and School Board should review the auditors' proposed audit adjustments for the fiscal year and develop a plan to ensure the trial balances and related schedules are accurately presented for audit.
Management's Response:	The County and School Board will review the auditors' proposed audit adjustments for the fiscal year and will develop a plan of action to ensure that all adjusting entries are made prior to final audit fieldwork next year.

Section III - Federal Award Findings and Questioned Costs

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

County of Smyth, Virginia

Schedule of Prior Audit Findings
For the Year Ended June 30, 2021

2020-001

Condition:	Material adjustments were proposed as a result of audit procedures performed for the County's and School Board's trial balances.
Recommendation:	The County and School Board should review the auditors' proposed audit adjustments for the fiscal year and develop a plan to ensure the trial balances and related schedules are accurately presented for audit.
Current Status:	Finding 2020-001 was repeated in the current year as 2021-001.